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SECRET—GUARD

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FURTHER CORRESPONDENCE

RESPECTING

IRAN

PART 10

January to December 1956

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FURTHER CORRESPONDENCE RESPECTING
IRAN—PART 10

GENERAL CORRESPONDENCE

EP 1051/2

No. 1

CONVERSATION BETWEEN THE SECRETARY OF STATE AND
Dr. ALI AMINI, IRANIAN AMBASSADOR-DESIGNATE TO THE
UNITED STATES, ON JANUARY 3, 1956*Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)*(No. 2. Confidential)
Sir,*Foreign Office,
January 5, 1956.*

Dr. Ali Amini, Iranian Ambassador-designate to the United States, called on me on January 3 at his own request.

2. After an exchange of courtesies during which I referred to the part that he had played in settling the oil problem, Dr. Amini made a series of points designed to convince me of the need for action to be taken to show public opinion in Iran that adherence to the Bagdad Pact was of material benefit to the country. The conversation was most cordial and he made no direct request for help from the United Kingdom, beyond asking for the moral support of the Prime Minister and myself in Washington.

3. He began by saying that he wanted me to know that public opinion in Iran had been disturbed by articles in the British press suggesting that the defence of Iran would be on the Zagros line. He sought no assurances from me in this matter and I replied that I well understood the Iranian people's feelings.

4. Dr. Amini then turned to the question of material aid. In the Iranian Cabinet, he said, he had pressed for Iran's adherence to the Bagdad Pact and he therefore felt some personal responsibility for seeing that Iran derived some visible benefits from it. The Shah had said that there was to be no bargaining and he, Dr. Amini, agreed. Unfortunately since then other countries, notably Egypt, had done well out of bargaining. I said that we were in a dilemma over this: we should very much rather help our friends, but we could not afford to let the Russians into Egypt. Dr. Amini said he quite understood this.

5. He then said that he expected great difficulty in convincing United States Congressmen that it was necessary for the United States to give financial help to cover the Iranian budget deficit, which he put at \$100 million for the next three years. If oil revenues were used for this purpose, development would be retarded. And if development were retarded, not only would deficits remain a permanent feature of the budget, but the people would see no benefit from the oil settlement. Nor was it helpful to press for reforms in administration. The Iranian Government were already doing what they could in this field, but they could not afford to cause discontent among important classes. This is what would result from a too drastic reduction of the number of Government employees. The Russians were already quite active enough in their attempts to make trouble.

6. Here Dr. Amini referred to the Russians' refusal of the rice crop. He hoped the problem would be solved by a triangular deal with Japan and the Philippines involving raw sugar. He did not elaborate this. In the long term he hoped that improvements in the north-south road communications would enable the rice crop to be disposed of at competitive prices.

7. I told Dr. Amini that I understood the difficulties with which Iran was confronted. We set great store by the renewed co-operation and friendship between our two countries and I hoped to be able to support him in a quiet way during the forthcoming talks in Washington.

8. I am sending a copy of this despatch to Her Majesty's Ambassador in Washington.

I am, &c.

SELWYN LLOYD.

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EP 1101/1

No. 2

IRAN: ANNUAL REVIEW FOR 1955

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received January 9)

(No. 1. Secret)

Sir,

Tehran,
January 1, 1956.

Outwardly 1955 has in several respects been a good year for Iran. Security has been maintained and there has been relative stability and continuity of government. The production of oil has been ahead of schedule, oil revenues are beginning to flow and the Seven-Year Plan has made steady if unspectacular progress. The Government has not run into any serious or organised opposition. The Shah has brought his country into the Bagdad Pact without provoking either open criticism at home or serious or substantial reaction abroad.

2. This, however, is not quite the picture as it appears to the average Iranian. As he sees it, little real progress has been made with internal reform, economic conditions have not demonstrably improved as a result of either oil agreement or plan expenditures, and the Government appears indecisive and too subject to the whim of the Shah. I do not myself think that all these criticisms are deserved but the apathy and despondency which stem from them are factors which must be reckoned with in any estimate of the state of public confidence. I propose to discuss in a separate despatch how far this condition of affairs is endemic and how far remediable.

3. The keynote of the year has undoubtedly been the increase in the influence and personal rule of the Shah paralleled by doubts as to his capacity to govern effectively, particularly in view of the poor calibre of some of his closest advisers. These trends are to be clearly seen in relation to the leading events of the year.

4. The Shah returned in March from his prolonged absence abroad with the determination to get rid of his Prime Minister, since August 1953, General Zahedi. There were, it must be admitted, good reasons for a change. General Zahedi was on bad terms with several members of his Government; he was failing to grapple with the many problems of internal reform which demanded attention and there was more than a suspicion that his main interest during his latter months of office was to line his own pocket and those of his friends. But the Shah's desire to eliminate a strong and stubborn Prime Minister also prompted the change. It was characteristic of the Shah's new determination that the dismissal of General Zahedi was effected so quickly and so ruthlessly after the Shah's return. The pressure which was put on him to resign, and the scant tribute which was paid to his great services in the early period of his administration, naturally evoked a good deal of criticism on the part of his supporters.

5. Even more symptomatic was the determination with which the Shah installed in General Zahedi's place as Prime Minister Mr. Husein Ala despite the bad health which required him to leave immediately after the appointment for an operation in Paris. The manner in which Mr. Ala's nomination was rushed through before Parliament had met aroused the resentment of many Deputies. It was little consolation to them, especially those with a vested interest in corruption, that in comparison with its predecessor the new Cabinet was composed of honest, competent and hardworking (if in some cases inexperienced) Ministers.

6. Nor did the course of events in the early months of Mr. Ala's period of office provide much reassurance. Sensing an opportunity in the disappearance of a strong Prime Minister and the absence of a weak one, the religious leaders of Iran attempted to stage an attack upon the Baha'i sect which, they claimed, had no legal status but nevertheless played an influential role in the government of the country. In the face of this attack the Shah and his advisers showed, at first, lamentable indecision and weakness; and it took them most of the summer to reassert their authority and recover part of their prestige.

7. Meanwhile the Shah had decided, and not without good reason, that one of the crying needs of the country was financial reform—direct taxation, more equitable application and more effective tax collection. His method of achieving these desirable ends was, however, clumsy and ill-advised. He transferred to the

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Department of Justice Dr. Amini, his brilliant and forceful Minister of Finance, who comes of a very rich family and was generally held to be unenthusiastic about tax reform. He then brought in in Dr. Amini's place a nonentity of a civil servant who, to the general amazement, produced a ready-made Finance Bill reputedly on a Belgian model which was full of absurd and unpractical features. Before the Bill could be passed through Parliament it had to be drastically amended; the Shah, who was known to be its promoter, lost prestige thereby; the author of the Bill was superseded in the Ministry of Finance and the present tax law is in the Shah's judgment in need of a further revision, which in turn is the subject of parliamentary attack.

8. The Shah's determination on a set, though unpopular, course has been seen to better advantage in the consistent support which he has given throughout the year to Mr. Abul Hasan Ebtehaj, the dynamic and controversial general manager of the Seven-Year Plan Organisation. In Iranian political terms Mr. Ebtehaj's outstanding qualities of courage, honesty and efficiency have been more than offset by his uncertain temper, his indifference to the feelings of his colleagues and his determination to get as much power into his own hands and control as much public expenditure as possible; and it is only the Shah's consistent support—coupled, be it said in justice, with some restraining influence over him—which has kept Mr. Ebtehaj in office. The Shah is undoubtedly right in thinking that the country needs Mr. Ebtehaj if the foundations of Iran's development programme are to be soundly constructed; but the time cannot be put off when Mr. Ebtehaj will be called upon to show some quick and visible results and unless he is willing to do so even the Shah may tire of his careful and cautious approach to the development programme.

9. The most striking example of the Shah's personal influence has, however, been his decision (and in essence it is his alone) to adhere to the Bagdad Pact. His motives may well have been mixed, and included a bid for American aid and a fear that some deal affecting Iran might be arranged behind his back at the Geneva Conference. He does, however, deserve credit for taking a courageous decision without exacting a price in advance and for putting the decision through so quickly that there was no time for the opponents of accession either within or without the country to organise effective opposition. By his resolute action he has undoubtedly earned some respect, but it will not be possible to say that he has increased his popularity until and unless he is able to demonstrate the beneficial results flowing from Iranian association with the Pact.

10. To summarise, the Shah has dealt with different kinds of situations with varying degrees of success. Where action has called simply for a policy decision without requiring any administrative follow-up he has been effective and successful. Where policy decisions can only be made effective through parliamentary and administrative action, his personal intervention has not been enough, and, as in the case of the Finance Bill, it has had a boomerang effect on his reputation. Unfortunately most of his efforts in the field of internal reform fall under this category. Many of his initiatives, such as the determination to eliminate corruption and to increase revenue have either petered out or been frustrated; in one of the few cases where his wishes have been translated into law, namely the act prohibiting the production and consumption of opium, it still remains to be seen whether the results will be effective. Finally, and most ominous, his response to situations which were not foreseen, such as the Baha'i agitation, has not been encouraging. This experience suggests that, if in any future situation he loses initiative, he may also falter in determination.

Parliamentary Affairs

11. The performance of Parliament was not impressive, nor did either House at any time constitute a serious threat to the Government supported by the Shah. Nevertheless, both Houses, and particularly the Majles, had a nuisance value. They were as adept as ever at delaying or emasculating legislation whenever it cut across individual interests, and they postured on "patriotic" issues to some effect. The Shah's efforts to treat Parliament as a rubber stamp were to some extent successful, but it has not been possible for him to reckon without it altogether despite the continued absence of any coherent opposition.

12. Having failed to secure an extension of their present tour of duty to four years (though they received a promise that this would be considered during the

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next Majles session), few members of the Majles were prepared to risk "black-balling" in the elections which are due next spring. The Senate, with the Shah's support, successfully defended their six-year term from Majles attacks but, since half of them are his nominees, their security of tenure represented no serious threat to the Shah. The Government deliberately dallied about making arrangements for the next Majles elections, possibly on the principle of "the devil one knows."

Subversive Elements

13. There was no visible slackening in the drive against the Communist Tudeh Party when Ala became Prime Minister. The Tudeh were harassed and hard-pressed, but they suffered no major defeat as they had done the year before when their organisation in the armed forces was uncovered. Their civilian organisation remained in being and their resolution was undiminished. Despite all efforts the Government never succeeded in totally stopping publication of the Tudeh organ *Mardum*. Tudeh policy centred on self-criticism, reorganisation and the improvement of their internal security, but at the same time they endeavoured to maintain and expand their penetration of the Administration and to establish a working relationship with Nationalist elements. To what extent they succeeded is a matter for speculation. At the end of the year they issued directives to their supporters which augured an increased effort in 1956.

14. On the surface, the country was quiet throughout the year except for the Baha'i troubles (paragraph 6), and for the attempted assassination of the Prime Minister in November by a member of the small politico-religious terrorist sect, the *Fedayan-e-Islam*, who have been responsible for Razmara's death and others in recent years. The attempt was apparently a demonstration against Iran's adherence to the Bagdad Pact. The known members of the sect, including Razmara's assassin, were rounded up and await trial on capital charges, their deputy leader being shot dead while attempting to escape.

15. Tehran University gave no trouble and the Shah visited it for the first time since the attempt on his life there in 1949. The tribes were quiet, as were the few leading Nationalists still in circulation such as Ayatullah Kashani. Musaddeq's adherents still functioned sporadically as the "National Resistance Movement" but were reported to be resisting overtures from the Tudeh. Fears were expressed that the possibility of Musaddeq's release next year (his sentence expires in August) would provide a stimulus and focus for extremists and the numerous discontented elements in the country, but there was no reason to suppose that these would constitute a serious threat to security in the immediate future so long as the Shah maintained his resolution and control.

Economic Affairs

16. The Oil Consortium got off to a good start. During 1955 about 15,717,000 tons of crude oil were produced, of which 7,269,000 tons were refined at the Abadan refinery. The total production of crude oil was about 1 million tons more than the target laid down in the oil agreement. The revenue accruing to Iran during the year was about £31,600,000. Relations between the Consortium and the National Iranian Oil Company have been friendly and co-operative on the surface. Only a very small and hesitant beginning has been made with the major problem facing the Consortium, namely disposing of some 15,000 or more surplus workers and bringing the Abadan refinery up to modern standards of efficiency. Similarly, little progress has been made with the transfer of "non-basic operations" from the Consortium to N.I.O.C. in accordance with the terms of the oil agreement—though the medical services were due to be transferred in January 1956. They admit that, at the present rate, it will be five years or more before the Iranian oil industry again ranks among the world's efficient oil producers.

17. More serious in the long run than these difficult but soluble administrative issues is a policy divergence only now appearing above the surface. The Iranian desire to build up a section of the oil industry independent of the Consortium has been illustrated by their insistence on exercising their option on 12½ per cent. of their income by taking it in the form of oil; by their efforts to maintain the sale of oil to Japan, Italy, Turkey and elsewhere even at a loss; by the purchase of tankers for Iranian account; and by a proposal to grant concessions in other parts of Iran to other (e.g., Japanese) interests.

18. Britain's initial successes in the field of major contracts were followed by a period during which orders went largely to other countries under a policy of fair shares for all. But as the year ended we had no reason to be dissatisfied with our share of governmental contracts. Our position in the bazaar trade was less satisfactory.

19. In the field of development, the backstairs and corrupt methods of the Zahedi Government gave way to consulting engineers and international call for tenders; and a small team of International Bank technical advisers provided a useful stiffening for the Plan Organisation. Mr. Ebtehaj concentrated on setting up a solid framework but was slow in authorising projects which would bring quick and tangible benefits to an impatient country. Meanwhile, the charter for all their work, the new Seven-Year Plan Bill was delayed in Parliament partly as a result of Mr. Ebtehaj's unpopularity but largely because of the Government's vacillations about the extent to which the oil revenues should be used for budgetary purposes. The present Bill specifies the amount to be made available annually up to March 1958 as 10 per cent., plus any monies which the Ministry of Finance can squeeze out of the National Iranian Oil Company from their 30 per cent. share. That more of the oil revenues are not allocated to the budget is the combined result of Parliamentary pressure, Mr. Ebtehaj's obduracy, and continued hopes of United States aid.

20. *Irano-American relations* have been largely governed by the scale and nature of United States activities in Iran. United States aid began to taper off as the oil revenues increased. The Point IV programme was altered from a first aid emergency operation into a programme of technical assistance in which the Iranians were expected to play an increasing part. While the value of the first aid operation is undoubted, that of the technical aid is more difficult to assess. There are some devoted workers particularly in the provinces but the organisation suffers from an emphasis on quantity rather than quality.

21. After having received American budgetary aid to the tune of \$45 million a year, the Iranian Government were faced at the end of this year with the problem of having to find some alternative means of balancing their budget. Their first impulse was to use part of the oil revenues but opposition from Mr. Ebtehaj and fear of public opinion made them tread warily. An attempt to secure further American aid met with a rebuff which was perhaps unnecessarily brusque. But as the year ended the misunderstanding had been dispelled and it looked as though further aid would be forthcoming provided the Iranians made a serious attempt to put their house in order. Unfortunately, the absence of a strong Finance Minister and the ineffectiveness of the administrative machine augured ill for these efforts.

22. The United States Military Mission has performed solid unspectacular work in the field of Army training. Its cautious but not entirely pessimistic estimate of Iranian capabilities has provided some consolation for the continued absence of the United States from the Bagdad Pact.

23. For much of the year *Soviet-Iranian relations* were superficially almost cordial. The agreement on frontier demarcation and on financial questions signed in December 1954 entered into force in May. The Joint Demarcation Commission started work most promptly and Iran's gold was returned on the dates stipulated. This was followed at the end of June by an invitation to the Shah and Queen Soraya to visit Moscow, which was accepted for June 1956.

24. When Iran's intention to adhere to the Bagdad Pact became apparent there was a marked change of tone. Before the Iranian decision was announced, the Soviet Government protested in a sharp note that adherence to an "aggressive" bloc, dominated by the United States and the United Kingdom, would be contrary to the Irano-Soviet treaties of 1921 and 1927 and would undermine peace in the Middle East. This was followed at the end of November by an even sharper note on the same lines. The Iranian replies were firm and spirited. The only effective retaliation the Russians have so far been able to make is to refuse to buy the Iranian rice crop. On the other hand, the projected visit of a parliamentary delegation to Moscow eventually took place in December. At the end of the year it was still not clear whether the Russians were going to rely on the carrot or the stick or a combination of both.

25. *Relations with Afghanistan* have not improved during the year. The main concrete issue between the two countries remains the dispute over division

of water from the Helmand River. A proposal that this dispute should be settled by direct negotiations in Washington has, despite numerous press reports that they were about to begin, not yet been fulfilled; the Iranian delegation is all ready to leave, but the Afghans are holding back. Behind this dispute lies Iranian dislike of the Afghans and their even greater dislike and fear of Soviet penetration of Afghanistan. This has been intensified by the visit in December of Mr. Bulganin and Mr. Khrushchev to Kabul.

26. *Relations with the United Kingdom* have remained on an even keel throughout the year. The Shah's visit to London in February was most beneficial in that it helped to convince him that we had no ulterior designs on Iran and enabled him to feel that he was fully back in our graces. We have had some further success in convincing the Government and those in public life, though perhaps not yet the people at large, that we have no wish to interfere in Iranian internal affairs, no secret links with the tribes and no backstairs approach to this embassy. To reinforce and provide further evidence of these hard-learned truths remains one of the principal objectives of our local policy.

27. At moments, inevitably, the waters have been ruffled. On several occasions the Government have shown extreme sensitivity to even mildly critical comment in the British press, which well illustrates how both as a Government and as a nation they are unsure of themselves. The Iranian claim to Bahrain has been brought up regularly though not officially, sometimes in the form of rumours that we are preparing to hand over Bahrain to its "rightful owners" in order to secure the important asset of Iranian goodwill. Our refusal to let the Iranians open a consulate in Kuwait has also come to the public notice and has been the subject of adverse comment. These, however, are small things in the face of the startling trend which within two years has brought Iran from the status of a country with which we had no diplomatic relations to that of an ally. It is significant that there has been no criticism of the association with Britain implicit in membership of the Bagdad Pact. We cannot, however, hope that the process of being allies will prove as easy as that of moving towards an alliance. Now that we are joined together, the Iranians will expect our fortunes to be united in more than one sense and we shall not escape criticism unless the union is fructified.

28. I enclose a list of the principal events of 1955.

29. I am copying this despatch to Her Majesty's Representatives at Ankara, Bagdad, Kabul, Moscow and Washington; to the United Kingdom High Commissioner at Karachi; and to the Political Representative with the Middle East Forces (Nicosia).

I have, &c.

R. B. STEVENS.

Enclosure

Summary of the Year's Events

January

The Shah was absent on holiday in the United States.
Dr. Manuchehr Egbal was appointed Rector of Tehran University.

February

The Shah visited the United Kingdom and Germany *en route* back to Iran.
The Government announced new exchange rates on February 6, increasing the value of the rial by approximately 10 per cent.
Her Majesty's Consulate at Khorramshahr was reopened on February 21.

March

The Shah and Queen Soraya returned to Tehran on March 12.
Prodded by the Shah, Parliament managed to approve the annual budget (excluding development) before the Iranian New Year, which fell on March 22.
They also approved the United States and United Kingdom Loan and Credit Bill (the corresponding agreements were signed on March 31) and the Soviet-Iranian Financial and Frontier Agreement.

March

Substantial increases in the minimum wages of oil workers were announced.

The laying of the Shahrud-Meshed railway (an extension which would link Tehran with Meshed) was formally begun.

The Shah visited Khuzistan, including Abadan and the oilfields.

April

The Shah forced General Zahedi to resign the premiership. Husain Ala, the Minister of Court, succeeded Zahedi on April 6. He retained in the new Government several of Zahedi's key Ministers, including Abdullah Entezam (Foreign Affairs), Dr. Ali Amini (Finance) and General Hedayat (War). New Ministers included Asadullah Alam, a close personal friend of the Shah, as Minister of the Interior.

General Zahedi left by air for Germany on April 7, ostensibly for medical treatment. He had not returned to Iran by the end of the year. A number of his supporters who were being accused of embezzlement or theft, including the former Minister of Posts and Telegraphs, also left the country.

Mr. Ala left for Paris for an abdominal operation on April 10. Mr. Entezam was appointed deputy Prime Minister in his absence.

The Government announced the arrest, some time before, of Dr. Murteza Yazdi, a member of the Central Committee of the Tudeh Party.

Sardar Fakher Hekmat was re-elected President of the Majles. Sayyed Taqizadeh was elected President of the Senate in place of Dr. Hakimi (Hakim-ul-Mulk). Mr. Bayat was reappointed chairman of the managing board of the National Iranian Oil Company (N.I.O.C.).

The N.I.O.C. signed a £5 million contract with a British firm (Costain-John Brown) for the building of half of an oil pipeline from Ahwaz to Tehran, the other half being awarded to a French firm.

H.M.S. *Flamingo* visited Khorramshahr and Abadan, the first British warship to visit an Iranian port since the resumption of Anglo-Iranian relations in December 1953.

May

There was increasing criticism in private, notably among members of Parliament, of the Shah's dictatorial ways.

The Government made a series of public announcements amounting to a grandiose but unco-ordinated programme of reform.

A campaign inspired by the mullas (Moslem priests) broke out against the Baha'i sect. The mullas hoped to reassert their former influence, which was broken in the 1930's by Reza Shah. There were minor disturbances in various parts of the country and the Government had to intervene to maintain order.

Dr. Amini was transferred from Minister of Finance to Minister of Justice. Five prominent supporters of Dr. Musaddeq were arrested and "relegated" to the south.

Ayatullah Kashani returned to Tehran after months in Meshed.

There were reports of labour unrest in Isfahan, and threats by textile factory owners there that they would close down unless the Government took action to protect them against foreign competition.

There was a press campaign against the Consortium over their alleged refusal to let the N.I.O.C.'s "free oil" take the form of refined products. This was later quelled by a sober statement by Mr. Bayat (chairman of N.I.O.C.).

There were informal and inconclusive discussions between Her Majesty's Ambassador and the Minister for Foreign Affairs about the possibility of the Iranians renouncing their claim to Bahrain in return for some *quid pro quo* in the Gulf.

The Iranians and the Afghans agreed in principle to conduct talks in Washington on the Helmand River dispute. These had still to materialise at the end of the year.

Instruments of ratification of the Soviet-Iranian Agreement were exchanged in Moscow on May 20.

The Shah visited Shiraz to inaugurate the "Nemazi" Hospital.

May

The head of the Seven-Year Plan Organisation (S.Y.P.O.) signed an agreement in Washington with the International Bank for Reconstruction and Development for the employment of foreign experts by the plan.

The S.Y.P.O. signed a contract with a British firm (Mowlems) appointing them consultants for the building of 6,000 km. of road.

June

Mr. Entezam left for San Francisco on June 2 to attend the United Nations anniversary celebrations. No further deputy Prime Minister was appointed, and Mr. Ala returned to Tehran on June 12. From San Francisco Mr. Entezam went to Europe via Washington, and remained there, mostly in Paris, ostensibly on sick leave, except for a period of ten days in September when he returned to Iran for the Turkish Presidential visit.

The Government attempted a reorganisation of their information services, placing Hamzavi, formerly press counsellor in London, in charge.

On June 27 a few people were killed and some fifty injured in an anti-Baha'i riot in Shiraz.

The Consortium began their attempts to transfer surplus workers at Abadan to outside contract work.

Deliveries of gold to Iran under the Soviet-Iranian agreement were completed.

July

There was a sense of unrest throughout the month, particularly in Parliament, and criticism of the Shah became more open and vehement.

The Shah was invited to pay an official visit to the Soviet Union. He indicated that he would accept.

A Bill for a new Seven-Year Plan was presented to the Majles. It was still being discussed in a revised form at the end of the year.

There was an anti-Baha'i riot, with a few deaths, in Yazd on July 30.

Qavam-us-Sultaneh, a well-known former Prime Minister, died on July 23.

An Iranian parliamentary delegation visited the United Kingdom as guests of the British Group of the International Parliamentary Union.

The Ambassador departed on leave on July 15.

Parliament approved an emasculated version of a radical and unpractical Tax Bill introduced by Dr. Furuzan, the Acting Minister of Finance, who shortly afterwards lost his job.

August

Political tension diminished, the Government receiving a substantial vote of confidence before Parliament went into summer recess.

Six Tudeh officers were executed. Forty-four others pending death sentences were commuted to life imprisonment.

The Armed Forces Staff was reorganised on a tripartite basis. The Minister of War, General Hedayat, became chairman of the Joint Chiefs of Staff. General Vusuq became Minister of War.

Dr. Muhammad Sajjadi became Minister of Finance on August 23.

The 50th anniversary of the Iranian Constitution was celebrated.

An article in the *Daily Telegraph* was interpreted as implying that Her Majesty's Government were averse to seeing Iran adhering to the Turco-Iraqi Pact, and aroused considerable resentment.

The King of Saudi Arabia, accompanied by a suite of ninety, paid a State visit to Iran from August 9 to 17. The visit aroused little interest. A communiqué was issued declaring Islamic solidarity, and the Diplomatic Missions of the two countries were raised to the status of embassies.

Difficulties over the Consortium handing over non-basic services to N.I.O.C. came to the fore.

N.I.O.C. signed contracts with Idemitsu (Japan) and Supor (Italy) for the sale of free oil during July-December 1955.

After long negotiations, a comprehensive Irano-United States Friendship, Trade and Consular Treaty was signed on August 15.

August

The United States Government allocated to Iran in the current fiscal year \$13 million for Point IV and \$15 million for budgetary aid, \$10 million of which would be a loan. Both allocations were considerably less than in the last two years.

Mr. Prud'homme of the International Bank arrived to head the technical bureau of the S.Y.P.O.

Contracts for supervising municipal development works through the country were awarded regionally to three firms: French, American and German.

September

Speculation about Iranian adherence to the Turco-Iraqi Pact became intense, partly as a result of the Turkish President's State visit (he arrived on September 19). A statement in the Majles by the Prime Minister was generally interpreted as a definite step towards joining the pact.

The Majles reconvened on September 11.

There was more talk than usual of a bazaar crisis, and a number of important bankruptcies were reported. The crisis in the textile industry, notably in Isfahan, came to the fore again.

Dr. Yazdi was sentenced to death, and appealed.

The Musaddeq supporters relegated to the south in May were allowed to return to Tehran.

The Shah announced that he would pay a State visit to India in the early part of 1956.

An Iranian company (the Iranian National Navigation Company), in which the Shah has a substantial interest, placed an order for oil tankers with a Dutch firm.

The British Council's enrolment of its first batch of English language students since the break in relations led to a record turnout of applicants.

October

The Senate reconvened. The Shah's inaugural speech to them, while not mentioning the Turco-Iraqi Pact as such, was rightly interpreted to mean that he had decided to adhere. The Government informed the Majles and Senate of their intention to do so on October 11 and 12. The Soviet Government delivered a sharp note of protest on October 13, to which the Iranian Government replied politely but firmly on October 15. (The Soviet Union also marked their disapproval in various other ways, including the holding-up of a large rice deal.) The Senate ratified Iran's adherence on October 19, and the Majles on October 23, both by overwhelming majorities but without enthusiasm.

Dr. Ali Quli Ardalani was appointed Minister without Portfolio. Later, when the Ministry of National Economy was divided into parts (a Ministry of Industry and Mines and a Ministry of Commerce) Dr. Ardalani took the former and Mr. Kashani the latter.

The Government ran into foreign exchange difficulties, and on October 5 suspended virtually all payments except in the case of countries with whom they had clearing arrangements (e.g., Germany). With help from the S.Y.P.O. they had begun to lift these restrictions by the end of the month.

Parliament approved a Government Bill for controlling the production, sale and use of opium.

Fourteen of the Tudeh officers serving prison sentences were pardoned to celebrate the Shah's birthday on October 27.

The Government protested to Jordan about Jordan issuing an invitation to delegates from Bahrain to attend a conference. Jordan rejected the protest.

The Consortium announced that in their first year of operation they had disposed of over 17 million cubic metres of crude oil, 8.6 million cubic metres of refined products and had paid to the Iranian Government £26.7 million.

The N.I.O.C. signed a three-year contract with a Turkish group for the supply of 35,000 tons a year of kerosene and petrol from the Kermanshah refinery.

October

The water purification plant of the Tehran water supply scheme, to which a British firm had been acting as engineering advisers for seven years, was formally opened by the Shah.

November

An unsuccessful attempt on the life of the Prime Minister was made on November 17 at the Shah Mosque in the bazaar. Though slightly injured, the Prime Minister left for Bagdad the next day to lead the Iranian delegation to the first meeting of the Bagdad Pact Council. The assailant, a member of the terrorist sect Fedayan-e-Islam, was caught. Some 30 members of the sect, including Razmara's assassin and Navab Safavi, the leader, were later rounded up. The attempt appears to have been a demonstration against the Bagdad Pact.

There were serious differences between the Majles and the Senate centring on the proposal to summon a constitutional congress to discuss, *inter alia*, extending the present Majles term from two years to four. In the end the Shah came down on the side of the Senate and the proposal was dropped. Majles attempts to establish that the Senate term of office was also two years and not six were unsuccessful.

The Shah's *farman* for the elections to the 19th Majles, which should replace the present Majles in April 1956, was published on November 18; it provided for the possibility of a constitutional congress being held during the next Majles.

Dr. Amini was appointed Ambassador to Washington, being replaced as Minister of Justice by Dr. Jalal Akhavi, a member of the Zahedi Government.

A revised version of the S.Y.P.O. Bill presented in July was submitted to Parliament. The Bill allocated 60 per cent. of the oil revenue for development during the next three years, the balance of the money being shared between N.I.O.C. and the Ministry of Finance.

The Iranian Instrument of Ratification of the Bagdad Pact was deposited on November 3.

Articles in the French press, alleging that Her Majesty's Government and the Soviet Government had been discussing a proposal to carve up Iran into "spheres of influence", caused a flutter, though an outright denial by Her Majesty's Government helped to restore the position. Unfortunately the reports were linked to rumours that Western defence plans were based on the Zagros range and that the major part of Iran would be left undefended, which caused considerable disquiet.

The Soviet Government delivered on November 26 a further note protesting against Iran's adherence to the Bagdad Pact.

The catalytic cracker for producing aviation spirit was brought into operation for the first time since A.I.O.C. left Abadan.

The Commander-in-Chief, East Indies, in the cruiser *Gambia*, visited Abadan and Khorramshahr. He came to Tehran, where he was received by the Shah.

Turco-Iranian frontier discussions were reported to have come to a satisfactory conclusion.

December

Mr. Entezam was finally removed from the Foreign Ministry and replaced on December 25 by Dr. Ardalan, the Minister of Industry and Mines. Entezam was expected to remain in the Government as Deputy Prime Minister and to return to Iran shortly.

Dr. Sajjadi introduced a new Tax Bill to replace the one approved in July. Though less unpractical than its predecessor it also met with opposition in Parliament.

The Shah appointed special administrative teams including army officers to inspect the activities of Government departments quarterly.

The "Economic Council" composed of some 20 members under the aegis of the Shah began to function. (It was first mooted in 1954.)

The Senate declared invalid the law amnestying Razmara's assassin passed by the 17th Majles and referred it back to the present (18th) Majles.

December

Dr. Baqa'i was allowed to return to Tehran from Zahedan, where he had been in "forced residence" for a long time.

Parliament approved a Bill providing for 10 per cent. of the oil revenues and \$10 million of United States aid to be used for the budget.

The Iranian reply to the second Soviet protest was delivered on December 6. It was long and firm.

The Soviet Embassy unexpectedly proposed that the visit of an Iranian parliamentary delegation which had been pending since October should take place, and the delegation left in time to attend the meeting of the Supreme Soviet in the last week of the month.

The announcement of United States-United Kingdom help to Egypt over the Aswan Dam aroused some criticism and acid comment about the advantages of flirting with communism.

Mr. Hamzavi was appointed "Information" Minister and Consul-General in New York as part of the Iranian drive to obtain more United States aid.

The Government, worried by speculation about the Zagros line, issued a statement announcing their determination to defend every inch of Iranian territory.

The Majles "returned to committee" an Irano-Syrian friendship treaty on the grounds that Syria actively supported the "pretensions" of the Sheikh of Bahrain.

It was announced that Mr. K. Scholtens of Royal Dutch Shell would replace Mr. Brouwer as the Head of Consortium companies in Iran in the New Year.

A law designed to encourage foreign investment was signed by the Shah.

The Ambassador returned from leave on December 9.

On December 31 Mr. A. R. W. Low, Minister of State, Board of Trade, arrived in Tehran on an official visit, the first British Minister to do so since the resumption of Anglo-Iranian relations in December 1953.

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No. 3

IRAN: QUARTERLY POLITICAL REPORT, OCTOBER–DECEMBER 1955

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received January 13)

(No. 9. Confidential)

Sir,

Tehran,

January 10, 1956.

I have the honour to submit my political report for the fourth quarter of 1955. The event of the quarter was Iran's adherence to the Baghdad Pact. The Shah accomplished this virtually single-handed. Neither the Government nor Parliament would of their own accord have engaged in so radical a departure from Iran's traditional isolation.

Internal Politics

2. The Government meandered on their way nominally under Mr. Ala but with the Shah running affairs. There were a number of Cabinet changes. In October Dr. Ali Quli Ardalan was appointed Minister without Portfolio and, later, Minister of Industry and Mines when the Ministry of National Economy was divided into two; Mr. Kashani took charge of the other half, which became the Ministry of Commerce. In November Dr. Sajjadi, the Minister of Finance, who had been ill for months, resumed work and Dr. Ali Amini was appointed Ambassador to Washington, Dr. Jamal Akhavi, a member of the Zahedi Government, becoming (in December) Minister of Justice in his stead. Finally on the 25th of December, Dr. Ardalan replaced Mr. Entezam, the absentee Foreign Minister who, it was stated, would remain in the Government as deputy Prime Minister and would shortly return to Iran.

3. These changes could not be said to have strengthened the Government. Though it was an advantage to have an active Foreign Minister again, moreover one reported to be competent and conscientious, the Government lost their ablest member in Dr. Amini. They never achieved cohesion at any stage. Two Ministers (Agriculture and Roads) tried to resign, probably because of their quarrels with Mr. Ebtehaj, the Head of the Seven-year Plan Organisation (S.Y.P.O.), but were not allowed to do so.

4. Though no stronger, the Government seemed less harassed than in the summer, which doubtless reflected an improvement in the Shah's position. It is difficult to say why this improvement should have taken place. Resentment against the Shah's personal rule persisted and there was little progress to show on the economic and social front. However, unrest and anxiety tend to alternate in Iran for no very clear-cut reasons.

5. The main factor was probably a decline in Majles opposition. In October and November the Majles fought and lost the last round of their battle with the Senate and the Shah, from which they were hoping to obtain a constitutional congress to discuss, *inter alia*, the extension of their present term of office to four years. An attempt at retaliation by the Majles, which would have cut the period of the present Senate session to two years, instead of six, was unsuccessful. On the 18th of November, the Shah issued a *farman* for new Majles elections which also provided for the holding of a congress during the next (19th) Majles. Fewer Deputies than ever were prepared to jeopardise their chances of re-election by open opposition, though many continued to snipe at the Government and to obstruct legislation.

6. On the 17th of November there was an unsuccessful attempt on Mr. Ala's life in the Shah mosque in the bazaar—a traditional *venue* for such attempts. The would-be assassin was a creature of the Fedaiyan-e-Islam, a small politico-religious sect with a record of assassination behind them. He fired point blank but his pistol worked defectively. Mr. Ala escaped with a graze and was able to leave Tehran for Baghdad the next day to attend the first council meeting of the Baghdad Pact. His assailant was caught and some 30 members of the sect were later rounded up, including the leader, Navab Safavi, the deputy leader, who was shot dead attempting to escape, and General Razmara's assassin who had been pardoned by the 17th Majles in Musaddeq's days. In December the Senate declared his pardon invalid and referred the relevant Bill back to the Majles.

SECRET—GUARD

7. The *Fedayan-e-Islam* are numerically few and, except as an instrument of terror, politically unimportant. The attempt appears to have been a protest against Iran's adherence to the Baghdad Pact. No valid evidence was unearthed to connect it with the Tudeh Party, though its ramifications with the Nationalists were still being pursued at the end of the quarter.

8. The Tudeh continued to lie low. There were strong rumours that Dr. Yazdi, the Central Committee member under sentence of death, had turned King's evidence and would have his sentence commuted to life imprisonment. Trials of the Tudeh officers tapered off, there were no more executions, and 14 of the lesser offenders were released to celebrate the Shah's birthday on the 27th of October. The Government's anti-Tudeh drive did not slacken but there were disquieting reports that the hard core of the party remained well-organised and determined.

9. There were no nationalist or religious disturbances, but the remnants of the "Nationalist Resistance Movement" showed signs of life, and fears began to be expressed that Musaddeq, if released next August when his sentence expires, would again become an effective focus for nationalist discontent. In December, Baqa'i of the Toilers Party was allowed to leave Zahedan, his term of "banishment" having expired, and returned to Tehran. As a potential trouble-maker he rates second only to Musaddeq among the nationalists.

10. Queen Suraya returned to Tehran in October and Princess Shahnaz, the Shah's only child, arrived from school in Europe in November. The Shah seemed to have lost hope of having a son and was seriously considering nominating the eldest of his half-brothers, Prince Gulam Reza, as his heir. Many of his advisers opposed such a step, partly on the grounds of Prince Gulam Reza's unsuitability and partly for fear that it would encourage intrigue.

Economic, Financial and Social

11. A new Economic Council began to function in December under the aegis of the Shah. Continuing his efforts to reform the administration the Shah appointed in the same month special administrative teams, each including an army officer, to report quarterly on the activities of Government departments.

12. The introduction of order into the economy continued to be hampered by a three-cornered argument between the Government, the S.Y.P.O. and the Majles over the control and financing of economic development and, in particular, the allocation of oil revenues between the S.Y.P.O., the Government and the National Iranian Oil Company (N.I.O.C.). Once again the argument was exacerbated by the temperament of Mr. Ebtehaj who, while retaining the Shah's confidence, continued to arouse widespread resentment among his colleagues and in Parliament.

13. In December Parliament approved a Bill allocating to the budget 10 per cent. of the oil revenues and \$10 million of United States aid. The Government considered this insufficient and hoped by means of a revised Bill introduced in November for the new Seven-year Plan to retain 40 per cent. of the oil revenues for themselves and the N.I.O.C. for the next three years. They were pressed to take this line by the United States Embassy and by the Point IV organisation who maintained that United States aid could not be justified unless the Iranian Government put their economy on a sound footing and spent a slightly greater proportion of their total revenue (including the oil revenue) on balancing the budget, which could now be afforded. However, the idea of using a substantial part of the oil revenues to balance the budget continued to arouse hostile emotions in Parliament, and on this point the Government could not count on the Shah's whole-hearted support. The outcome remained uncertain at the end of the quarter.

14. The Government ran into foreign exchange difficulties early in October but had recovered by the end of the year thanks partly to assistance from the S.Y.P.O.

15. Some useful or potentially useful legislation was passed. The opium law came into force in October (how it will be implemented remains to be seen) and the Shah signed the law for the protection of foreign investment in December. One concrete achievement was the opening in October of the Tehran water purification plant on which a British firm of consulting engineers had been working for seven years.

SECRET—GUARD

Oil

16. The Consortium made further steady progress and production remained well ahead of the guaranteed rate. Iranians began to be impressed by the size of the oil revenues. (During 1955 as a whole they received £31,600,000.) In November, the catalytic cracker for producing aviation spirit was brought into operation for the first time since the Anglo-Iranian Oil Company left Abadan.

17. Slight and painful progress was made with the problem of surplus labour. Oil workers over 65 were retired, some were transferred to constructional work, and a handful to the Ahwaz-Tehran pipeline project. Progress in handing over non-basic services to the N.I.O.C. likewise proved difficult, but in December it was announced that a start would be made on the 1st of January with the medical services.

18. The N.I.O.C. continued their efforts to build up markets abroad and in October signed a three-year contract with a Turkish group for the supply of 35,000 tons a year of kerosene and petrol from their Kermanshah refinery.

Defence and Foreign Affairs

19. By the end of September the odds were clearly on Iran's adhering to the Baghdad Pact. The Shah's speech to the Senate on the 8th of October when they reconvened after the summer recess was rightly interpreted to mean that he had decided to join without waiting for guaranteed benefits. Thereafter little effort was made to conceal the fact that Iran's adherence was being forced through Parliament as quickly as possible. On the 19th and 23rd of October respectively the Senate and Majles approved Iran's adherence after a few hours debate by overwhelming majorities but with little enthusiasm. The Instrument of Ratification was deposited in Baghdad on the 3rd of November.

20. The news was received throughout the country with apathy but with fairly good grace, the attempt on Mr. Ala's life not being symptomatic of any widespread and forcible opposition. Interest centred on the benefits which adherence would bring.

21. The military implications of the Pact occasioned alarms and excursions. Reports in the French Press that Her Majesty's Government had been discussing with the Soviet Government the division of Iran into "spheres of influence", and even that Sir Anthony Eden had exchanged letters with Marshal Bulganin on this subject, were given wide currency in Iran. A prompt and categorical Foreign Office denial had a salutary effect. Unfortunately, however, there followed reports in the United States Press alleging that Baghdad Pact defence plans would be based on the Zagros range in the south west, with the implication that Soviet forces would be allowed to overrun the greater part of the country unopposed. In Iranian minds these reports lent colour to each other, there was agitation in the Press, and Senators and Deputies proclaimed that any Iranian Minister supporting "the Zagros line" should be impeached for treason. The Shah (who is as conscious of military realities as any Iranian) emphasised to me the importance of taking Iranian public opinion into account, and in December the Government issued a statement pointing out that defence plans had not yet been discussed in the Baghdad Pact organisation and announcing their determination to defend every inch of Iranian territory. This statement quietened criticism but there was every prospect of the Zagros issue becoming a thorn in the side of the Baghdad Pact.

22. On the credit side the Iranian Government evidently regarded the first council meeting as a success, and Iranians in general were pleased with the prospect of the second meeting being held in Tehran, though disappointed that none of the principal committees of the pact was seemingly to be based on Tehran. The Government clearly attached great importance to the Economic Committee and appointed a strong team under Mr. Ebtehaj to attend its first meeting in Baghdad in January.

23. The Soviet Government employed both cajolery and threats, mainly the latter. Notes of protest delivered on the 13th of October and the 26th of November were answered firmly by the Iranian Government on the 15th of October and the 6th of December. Soviet displeasure was also marked by a sustained propaganda barrage and in other ways, notably by a refusal to purchase Iran's surplus rice. On the other hand the Soviet Government showed no signs of abrogating or suspending

the Soviet-Iranian Agreement, nor of cancelling the Shah's visit next year. In December they suddenly renewed an invitation pending since October to an Iranian Parliamentary delegation to visit the Soviet Union, and the delegation attended the meeting of the Supreme Soviet.

24. The Bulganin-Khrushchev excursion to India, Burma and Afghanistan attracted considerable attention. Mr. Nehru's criticism of the Baghdad Pact was resented, and led the Shah to toy for a few days with the idea of cancelling his projected visit to India next February. The Soviet loan to Afghanistan increased Iranian suspicions of that country. The proposed talks in Washington on the Helmand River dispute had still not begun at the end of the year.

25. Irano-United States relations took a turn for the worse. The United States desire to reduce aid and to see it efficiently used, coming at a time when the Iranians were hoping for rewards, was the root of the trouble. The allegedly ungracious manner of the new United States Ambassador, Mr. Selden Chapin, did not help him in the difficult task of explaining this away and he is reported to have antagonised the Shah. However, there seemed to be some improvement at the end of the quarter. Dr. Amini's appointment as Ambassador to Washington, and Mr. Hamzavi's appointment as "Information Minister" in New York were part of the Iranian drive for increased United States aid.

26. The Iranians clearly did not expect the same amount of aid from the United Kingdom and Anglo-Iranian relations were on a fairly even keel throughout the quarter. There was relatively little malicious speculation about our intentions, even the "Zagros-partition" furore (however absurd) being primarily a symptom of genuine disquiet. As usual Bahrain was in the news from time to time, but was not used against us. In October, the Iranian Government lodged a protest with the Jordan Government (which the latter rejected) against delegates from Bahrain being invited to a conference; and in December the Majles held up an Irano-Syrian Friendship Treaty on the grounds that Syria actively supports the "pretensions" of the Sheikh of Bahrain.

27. In November the Commander-in-Chief, East Indies, paid a visit to Abadan and Khorramshahr in the cruiser *Gambia*. He also came to Tehran where he was received by the Shah. On the 31st of December Mr. A. R. W. Low, Minister of State, Board of Trade, arrived in Tehran on an official visit, the first British Minister to do so since the resumption of Anglo-Iranian relations in December 1953.

28. I am sending copies of this despatch to Her Majesty's Representatives at Washington, Ankara and Baghdad, to the United Kingdom High Commissioner at Karachi, to the Political Representative at Nicosia, to the Head of the Middle East Development Division at Beirut, and to the Commander-in-Chief, East Indies.

I have, &c.

R. B. STEVENS.

EP 1152/4

No. 4

VISIT TO IRAN OF THE MINISTER OF STATE, BOARD OF TRADE

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received January 13)(No. 13 E. Confidential)
Sir,Tehran,
January 11, 1956.

I have the honour to report that the Minister of State, the Board of Trade, the Right Honourable A. R. W. Low, P.C., C.B.E., D.S.O., M.P., paid an official visit to Iran from the 31st of December, 1955, to the 7th of January, 1956, accompanied by Mr. Ord Johnstone of the Board of Trade and Mr. Derx, his assistant private secretary. He was the first British Minister to visit Iran since the resumption of Anglo-Iranian diplomatic relations in December 1953. He stayed in Tehran until the 5th of January and then spent one night each in Isfahan and Abadan en route to Kuwait and then Bagdad, where he is leading the British delegation to the first meeting of the Economic Committee of the Bagdad Pact.

2. During his five days in Tehran Mr. Low undertook a rigorous programme, starting very soon after his arrival at the airport with a call on the newly-appointed Minister for Foreign Affairs, Dr. Ardalan. He was received by the Shah in audience on the 3rd of January and, in addition to Dr. Ardalan, called on Mr. Ala, the Prime Minister, Dr. Sajjadi, the Minister of Finance, Mr. Kashani, the Minister of Commerce, Mr. Taleghani, the Minister of Agriculture and Director of the Karaj Dam organisation, Mr. Nemazi, Minister of State without Portfolio, Mr. Ebtehaj, the Director of the Seven-Year Plan Organisation (S.Y.P.O.) and leader of the Iranian delegation to the Economic Committee of the Bagdad Pact, Mr. Nasser, the Governor of the National Bank (Melli), and the two Permanent Under-Secretaries at the Ministry of Mines and Industry. He gave a press conference, addressed the Tehran Chamber of Commerce, and the British business community. He visited the Karaj Dam and the Karaj development project, the Rey spinning factory, and the water purifying plant of Tehran, recently completed after seven years' work under the supervision of Messrs. Alexander Gibb, the British consulting engineers. Lunches or dinners were given for him by the Minister for Foreign Affairs, the Minister of Commerce, the Minister of Agriculture, the Economic Counsellor and the Commercial Secretary at this Embassy, the British business community and myself. The Tehran Chamber of Commerce and the Bank Melli both gave receptions and I had a cocktail party for him to meet the British community.

3. Mr. Low's visit to Isfahan was private. In Abadan the programme included tours of the refinery and of the port at Khorramshahr, and an address to the local Chamber of Commerce and a call on the Governor of Khorramshahr. Mr. Low's conversation with Mr. Kuhl, the general manager of the refinery, is being reported separately.

4. Mr. Low's visit to Tehran was an undoubted success. His audience with the Shah and his conversations with Ministers and officials, which are being reported separately, were uniformly cordial. Mr. Low's meetings with Mr. Ebtehaj were particularly useful with a view to their collaboration at Bagdad. Iranian leaders seemed surprisingly realistic as regards their concepts of United Kingdom policy and of the economic potentialities of the Bagdad Pact. It is noteworthy that in conversation with Mr. Low no Iranian, from the Shah downwards, enquired about or even hinted at the possibility of financial aid from the United Kingdom.

5. Mr. Low's programme, and in particular his press conference, were very fully reported in the local press, and unusually fairly by their standards. There was none of the all too usual malicious distortion and no serious suggestion that his visit should be used to extract financial aid from the United Kingdom. While the facts, figures and prospects of Anglo-Iranian trade were prominently reported, interest centred on the forthcoming meeting in Bagdad and Mr. Low's role there. The attendance of a British atomic expert continued to arouse particular interest. Increasingly, the Iranians are focusing their attention and their hopes on the Economic Committee.

SECRET—GUARD

6. There was inevitably some wild speculation in the press. One or two newspapers persisted in looking for hidden significance in the coincidence of Her Majesty's Ambassador for Moscow visiting Iran on leave at the same time as Mr. Low was here. One actually concluded that Mr. Low and Sir William Hayter had visited Isfahan (and, incorrectly, Shiraz) to investigate the so-called "Zagros defence line." Another saw Mr. Low's visit as part of the Anglo-American "struggle for power" which some Iranians will persist in looking for. The great majority, however, were prepared to present the visit as a straightforward effort to improve Anglo-Iranian relations and to increase Anglo-Iranian trade. The former it certainly did and it is to be hoped that the latter will follow.

7. I am sending copies of this despatch to Her Majesty's Ambassadors at Washington, Ankara and Bagdad; to the United Kingdom High Commissioner at Karachi; to the Political Representative at Nicosia; and for the Head of the Middle East Development Division at Beirut.

I have, &c.

R. B. STEVENS.

SECRET—GUARD

EP 1015/4

No. 5

FEDA'IYAN-E-ISLAM ORGANISATION

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received February 10)(No. 18. Confidential)
Sir,Tehran,
February 8, 1956.

With reference to my despatch No. 141 of the 14th of December, 1956, to your predecessor, I have the honour to amplify my later reports on the outcome of the *Feda'iyen-e-Islam* case and the related arrest of a number of important nationalists.

2. Interrogation of the arrested members of the *Feda'iyen-e-Islam* organisation brought out, in addition to more information about the assassination of General Razmara, that if the attempt against Mr. Ala's life had been successful they intended to attack members of his Cabinet at his funeral. After a quick trial before a military court, four of them (Navab Safavi, the leader of the organisation; Khalil Tahmasebi, General Razmara's assassin—whose pardon by the 17th Majles had been annulled by the present Parliament; Muzaffar Ali Zulqadr, the man who made the attempt on Mr. Ala's life; and Muhammad Vahedi, the so-called secretary of the organisation) were condemned to death. Four others were sentenced to terms of hard labour ranging from three to six years. The sentences were confirmed on appeal. Although they had ten days in which to ask for Royal pardon they submitted their requests immediately; there is little doubt that this was done under pressure from the military authorities. The requests were taken to Ab-e-'Ali near Tehran where the Shah was spending a few days skiing. He rejected them and the men under sentence of death were shot next morning (the 18th of January) by an Army firing squad.

3. There had been widespread expectation that Mr. Ala's rather simple-minded assailant, who seemed to have been misled by his cleverer fellow-conspirators, and the young secretary of the organisation would have their death sentences commuted. The shooting of all four therefore caused some surprise and disquiet, and together with the speed of the execution started up again the sort of endemic speculation encountered in Tehran to the effect that the organisation had had links in the past with persons in high positions, including the Shah himself. Some colour was lent to such stories by information circulating about the death of A. H. Vahedi (mentioned in my despatch under reference) which suggested that the latter was not in fact attempting to escape but was summarily disposed of before, as many believe, he could say too much. Furthermore the Deputy Ha'erizadeh, who is himself suspected to having played a part in Razmara's assassination, in a recent speech to the Majles said that there was "another hand" involved in the assassination about which he did not intend to say any more at the moment, a hint which, whether there was any justification for it or not, has been interpreted as referring to the Shah, or perhaps to the British.

4. Officially-inspired comment about foreign influences behind the *Feda'iyen-e-Islam* organisation died away although there has been some effort recently to revive suggestions of links with the Tudeh Party. Before the trial of the terrorists was finished it was made known, however, that they had accused a number of leading members of the former National Front of being parties to Razmara's assassination.

5. Dr. Musaddiq was interrogated but he seems to have been cleared after he recalled that he himself took refuge in the Majles in May 1951 because of threats of assassination made against him by this same gang. He even claimed to have been opposed to the 17th Majles' pardon of Razmara's assassin, although this was proposed by some of his closest supporters. Dr. Shayegan, who is also still serving a prison sentence, has been interrogated but it is not certain whether he has been cleared or not. Fourteen other nationalists were called in for interrogation and subsequently arrested. The most important of them are Dr. Baqa'i, Husain Makki, Mahmud Nariman and Ali Zuhari, all former Deputies, and 'Abd-ul-Qadir Azad, a newspaper owner. Makki, Zuhari and Azad, after over two weeks in prison, have now been released on bail. In addition the military

authorities sounded out the Majles about the possibility of its lifting the parliamentary immunity of the Deputies Ha'erizadeh, Qanatabadi and Karimi, who were said to have been implicated by the *Feda'iyen-e-Islam*. The Majles bureau were opposed to this and it was dropped. Later, however, Ha'erizadeh was invited by the Military Prosecutor-General to make a statement to him. Ha'erizadeh's reaction was to take up permanent residence in the Majles and to refuse to make any statements except to the Press or in the Majles. A few days later he made a speech accusing Razmara of wishing at one time to alter the Constitution and during which he also made the remark referred to in paragraph 3 above. He has since made another speech in which he spoke of the attempts to blacken and take revenge on those who fought for oil nationalisation and against the British. There has been renewed talk, but so far no more than that, of asking the Majles to lift Ha'erizadeh's immunity. Nothing more has been said about Qanatabadi and Karimi.

6. On the day of the execution of the *Feda'iyen-e-Islam* members, Ayatullah Kashani was called in and, after interrogation, arrested. The leading Iranian divine in Qum, Ayatullah Burujerdi, wrote to the Shah interceding for Kashani, and the Shah is reported to have promised to do what he could "within the law and his own constitutional powers". In a private message sent to the Shah at the same time Burujerdi had, however, made it fairly clear that he was interceding largely for the sake of appearances and that he was not out to make trouble. The military authorities have since told the Press that Kashani has admitted playing a leading part in the Razmara assassination plot. There have also been officially-inspired suggestions that Kashani might be sentenced to death but that this could be commuted by the Shah to life imprisonment or exile.

7. The future of the case against the nationalists has been obscured by publicly-aired differences between the civil and the military courts as to which of them is competent to pursue it. It is generally considered that political rather than legal considerations will determine the decision on this. Many persons in Tehran are waiting for the decision with considerable interest since it will, in their view, be a pointer to the Shah's intentions. Their reasoning is that the military court can be expected to take a strong line against the accused, whereas the civil court would let them off more lightly and might even let at least some of them off altogether. The release of Makki, Azad and Zuhari on bail may be a straw in the wind. There are, however, many members of the present Government and a good number of the army officers at present in important positions who were close friends, colleagues or relations of Razmara, and some of these would no doubt like to see his memory rehabilitated by strong action against his enemies and detractors.

8. As regards the effects of these events, the mullas seem to be frightened and to be lying low—in marked contrast with their attitude last spring. The effect on the various nationalist groups seems to have been similar. The nationalists, although they had for some months before the arrests been showing signs of increased confidence and of discreetly increased activity, were far from being a cohesive force and did not represent such an immediate danger as to suggest that their activities were the main reason for the arrests. Nor do the arrests seem to be merely a tactical manoeuvre to clear the ground for the forthcoming elections. Many persons in Tehran rightly or wrongly interpret them rather as the clearest indication so far of the Shah's broader intention to adopt his father's methods of dealing with actual, potential or imagined opponents. There are others who see the hand of the British in all this on the grounds that we are taking revenge against former enemies or, as some of the even more imaginative would have it, discarded tools.

9. No tears have been shed for the murderous *Feda'iyen-e-Islam* gang (except in certain quarters of Tehran where they had something of a following) nor would Kashani or Makki, for example, be deeply mourned, but the strain of Shiah fanaticism which regards all temporal Government as corrupt and irreligious still exists and the nationalists will remain a potential menace so long as conditions in Iran provide them with ready means of stirring up dissatisfaction.

10. Dissatisfaction is still there under the surface and to it is now added anxiety as to how these recent events will develop, though this is balanced by awe at the speed of the executions and the boldness of the arrest of prominent and once

powerful figures like Kashani. I do not know to what extent the arrest of the nationalists was part of a deliberate plan of the Shah's or a quick decision taken without much thought to its implications. Whichever it was, the Shah, though he may have created an immediate impression, has also provided himself with a future problem. If he deals with these nationalists lightly or allows the case to fizzle out he will be liable to encourage his critics and enemies and discourage his potential supporters and friends. On the other hand, if he deals with them in his father's fashion he will still have to show that he is capable of the positive achievements of Reza Shah, which during the last fourteen years of disappointment have tended to loom larger in the memory of the Iranian people than the latter's brutalities. For the moment, however, the Shah and the Ala Government, as a result of the attempted assassination, look to have a better set of teeth to them than at any time since Mr. Ala came into power.

11. I am copying this despatch to the Head of the Political Office with the Middle East Forces.

I have, &c.

R. B. STEVENS.

EP 1051/13

No. 6

CONVERSATION BETWEEN THE SECRETARY OF STATE AND THE
IRANIAN AMBASSADOR ON FEBRUARY 17, 1956

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)

(No. 21. Confidential)

Foreign Office,

Sir,

February 17, 1956.

The Iranian Ambassador called to see me to-day. He raised three points.

2. First, with regard to the Washington talks, could I tell him whether the United States Government had agreed to give economic aid to Iran. I replied that as I had informed his colleague the Iranian Ambassador in Washington we had emphasised the importance which we attached to economic stability in the area and we had the impression that our remarks had been met by a favourable reaction. I could not of course say how, or to what extent, the United States would help.

3. The Ambassador's second point was with regard to the fact that the Soviet Government had presented once again their Note with regard to the neutrality of Iran. What did I think lay behind this action of the Soviet Union. I said that I thought it was a cardinal principle in their tactics that offers should be repeated over and over again. We had to stand firm and not be induced by their repetitions to change our policies. We must resist their propaganda, not only defensively, but also offensively. There were plenty of points about which the Soviet Union were very sensitive, such as elections in the satellite States and their colonisation in great areas of Asia.

4. The third point was with regard to oil. The Ambassador said that the Iranian Government hoped that production would be increased by 10 million tons next year. The Consortium apparently was thinking only of 2 million tons. That figure would be a great disappointment to Iran. He asked that Her Majesty's Government should use their influence to have it increased. I said that I knew nothing about the details of this matter but I would note his request.

5. I am sending copies of this despatch to Her Majesty's Representatives in Washington, Moscow, Bagdad, Ankara and the United Kingdom High Commissioner, Karachi.

I have, &c.

SELWYN LLOYD.

EP 1051/18

No. 7

VISIT TO TEHRAN OF THE SECRETARY OF STATE

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received March 16)

(No. 30. Confidential)

Sir,

Tehran,

March 14, 1956.

I have the honour to submit a record of your recent visit to Tehran on which you were accompanied by Sir Harold Caccia, Deputy Under-Secretary of State at the Foreign Office, Sir George Young, the Head of the News Department, Mr. Patrick Hancock, your Private Secretary, Viscount Lambton, your Parliamentary Private Secretary, and Mr. Donald Logan, your Assistant Private Secretary.

2. An unavoidably full programme had been arranged for your short stay, starting with a lunch given by the Shah immediately after your arrival on the 10th of March, which Mr. Ala, the Prime Minister, Dr. Ardalan, the Foreign Minister, Sir Harold Caccia and I were also bidden to attend. There followed calls on the Prime Minister and Foreign Minister; an official reception at the Ministry of Foreign Affairs attended by many Iranian leaders; and a dinner at the Embassy at which the guests included the Prime and Foreign Ministers, Mr. Furuhar, the Minister of Finance, Mr. Alam, the Minister of the Interior, Mr. Ebtehaj, the Head of the Seven-year Plan Organisation, Mr. Taqizadeh, the President of the Senate, Senator Sa'ed, a former Prime Minister who led the recent Iranian Parliamentary Delegation to the Soviet Union, Mr. Nouredin Emami, a Deputy Speaker of the Majles, and Dr. Sanandaji, the Chairman of the Majles Foreign Affairs Committee. Finally, a Press conference was arranged at Mehrabad Airport before your departure for Ankara early on the morning of the 11th of March.

3. The Iranian Government were genuinely anxious that your visit should be a success and made great efforts to ensure its smooth running. In this I think that they were successful, certainly by Iranian standards. The programme went as planned, though some of it was slightly retarded by the length of the lunch with the Shah, who was most cordial and friendly. The record of your conversation with him is being sent separately.

4. The Shah's friendliness was, I think, reflected by all the Iranian leaders whom you met. They were pleased and flattered that you should have gone out of your way to visit Tehran. With characteristic tact they showed little or no tendency to ask the awkward questions or to make the embarrassing demands which are often in the back of their minds. The timing of your visit, in view of the impending Council meeting of the Baghdad Pact in Tehran, was taken by them as further proof of the wholehearted support of Her Majesty's Government for the Pact, while the decision of Her Majesty's Government not to oppose a meeting of the Military Committee in Tehran, a decision which coincided with your visit, was very well received. The Prime Minister—normally a doubting Thomas—remarked to a diplomatic colleague on the day of your departure that he had realised after talks with you that our desire for Anglo-Iranian friendship was actually (*sic*!) sincere.

5. The Press conference which you gave and the prepared statement issued on your arrival were reported full and quite accurately in the local Press. Your unequivocal endorsement of the Baghdad Pact was remarked on in particular. So far, there has been little editorial comment of note. Some newspapers have taken the occasion to recall the sins, real or imagined, of British policy in the past and have expressed the hope that the Pact, and Her Majesty's Government's support thereof, will soon bring tangible benefits, including further aid and increased oil production, to Iran. There has been no serious attempt to harp on current contentious issues such as Bahrain in the context of your visit.

6. In short, Sir, your visit to Tehran was both timely and successful. Great Britain still commands a special position here, and the Iranians welcomed your stay not only because they are genuinely hospitable people, but also because it flattered their self-esteem.

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7. I am sending copies of this despatch to Her Majesty's Representatives at Ankara, Baghdad and Washington, to the United Kingdom High Commissioner at Karachi, to the Political Office, Middle East Forces, and to the Regional Information Officer at Beirut.

I have, &c.

R. B. STEVENS.

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No. 8

IRAN: QUARTERLY POLITICAL REPORT—JANUARY—MARCH 1956

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received April 14)(No. 36. Confidential)
Sir,*Tehran,
April 10, 1956.*

I have the honour to submit my political report for the first quarter of 1956. For Iran it was a quiet, but not uneventful, period.

Internal Politics

2. Mr. Ala remained Prime Minister and there were less rumours than usual of a possible change. There were a few changes in the Cabinet. Mr. Furuhar, Razmara's Minister of Finance, took over the vacant Ministry of Industry and Mines in January, but moved to the Ministry of Finance in February when Dr. Sajjadi resigned for health reasons. Industry and Mines remained vacant. Mr. Mutamedi, a Minister without Portfolio, was appointed Minister to Canada in March. Mr. Abdullah Entezan returned from his long holiday in Europe in January to take up his new duties as Deputy Prime Minister, but little was seen or heard of him thereafter. Also in that month Mr. Taleqani, the Minister of Agriculture, made another unsuccessful attempt to resign on the grounds that he could not work in a Government which lacked a firm directing hand and effective co-ordination.

3. In spite of their undeniable weaknesses the Government could point to some achievements during the quarter. In the security field, arrests of numerous leaders of the Tudeh Party and of a spy ring in the north were announced at intervals and in March General Bakhtiar, the Military Governor of Tehran, stated that the back of the Tudeh Party had been broken. This may be too sweeping a claim; but the party had undoubtedly suffered further major blows and by the end of the quarter were lying very low indeed. In January Dr. Yazdi, the Central Committee member under sentence of death, who had turned king's evidence, had his sentence commuted to life imprisonment. In their anti-Communist propaganda the Government made effective use of the recantations, real or alleged, of many of the imprisoned Tudeh officers and at the Iranian New Year on the 21st of March fifty were released, mostly minor offenders and some who had informed against their fellow conspirators.

4. Members of the politico-religious terrorist sect, Feda'iyān-e-Islām, who had been arrested after the attempt on Mr. Ala's life in November, were brought to trial in January. Their leader, Navab Safavi, and three others including General Razmara's assassin and Mr. Ala's assailant, were sentenced to death and promptly executed, the rest receiving varying terms of imprisonment. An attempt was made, with considerable fanfare, to implicate former "national front" leaders in Razmara's assassination. Dr. Musaddeq was questioned and a number of nationalists, including Ayatullah Kashani and Dr. Baqa'i, were arrested in January. They were provisionally released in March but not allowed to leave Tehran. They might yet be brought to trial, before a civil court, but there seems little likelihood of strong action being taken against them. There were also threats, which came to nothing, of depriving three Majles Deputies, including Ha'erizadeh, of their Parliamentary immunity so that they too could be questioned.

5. The execution of the terrorists aroused little or no popular emotion, but the arrest and subsequent release of nationalist leaders caused considerable speculation. There was a strong popular belief that the Americans had engineered their release but many of the politicians saw the episode as a further example of the Shah's vacillation.

6. Although in January the Government went through the motions of ordering the elections to the 19th Majles to begin, by the end of March only eight Deputies had been elected. It was generally accepted that control of the elections was this time in the Shah's own hands and that they were being deliberately delayed so as to leave a period without a Majles after the expiration of the present

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one in mid-April. By the end of the quarter there were indications that the new Majles would be largely the same mixture as before, and with the customary exception of Ha'erizadeh (whose stock rose as a result of his stand against the Government over the Razmara affair) the Deputies gave the Government little trouble, most parliamentary criticism coming from the Senate. Few aspirants to the Majles approached this Embassy for support as compared with the number who tackled the United States Embassy. It seemed that, in this field, though not in others, our protestations of non-interference in Iranian affairs were taking effect.

Economic and Financial

7. Balancing the budget continued to be the Government's main preoccupation. In February they decided, in spite of resistance by Mr. Ebtehaj, the Head of the Seven-Year Plan Organisation (S.Y.P.O.), to allocate to the budget in the next three years all oil revenues which they might receive over the guaranteed minimum production level laid down in the Consortium oil agreement. Provisions for increasing revenue in the budget itself included taxes on certain petroleum products, the marketing of two qualities of sugar with price differentials and additional taxes on tobacco and motor-cars. Customs duties were also raised. These were undoubtedly steps in the right direction. Nevertheless the anticipated deficit in 1956-57 remained very large owing to increased expenditure on defence and on the social services. The Government made persistent, and in the end successful, efforts to obtain further aid from the United States. After a prolonged and sometimes acrimonious argument in which they resisted United States attempts to provide a substantial proportion of the aid offered in the form of a loan, they obtained the promise in March of the following additional aid in the current United States financial year:—

- (i) a grant of \$20 million from the President's emergency fund;
- (ii) a grant of \$5.9 million for military expenditure mainly for constructional purposes;
- (iii) a grant of approximately \$5 million from the sale of United States surplus agricultural products in Iran.

In spite of this aid and of the prospect of increased oil revenues (see paragraph 11 below) the Government still found themselves left with a deficit of the order of £10 million for the Iranian year 1335 (March 1956 to March 1957).

8. Owing largely to the endeavours of the Shah the new Seven-Year Plan Bill became law in March to the relief of Mr. Ebtehaj, who seemed more subdued and less quarrelsome than heretofore. The Majles also gave first readings to the budget and to the latest income tax Bill; the latter was also approved by the Senate and there was every prospect of both measures becoming law early in April.

9. The new Director-General of Customs, General Zargham, transferred Customs headquarters to Khorramshahr and, at times by drastic methods, soon achieved a marked and much needed improvement in the handling and clearance of goods there. The Government announced their intention of introducing a Bill, long contemplated and likewise much needed, for the unification of the port administrations of Khorramshahr and Bandar Shapur.

10. In March Mr. David Lilienthal, formerly of the Tennessee Valley Authority, initialled an agreement with the S.Y.P.O. for a development survey of Khuzistan which, it was estimated, would take two years to complete.

Oil

11. In January the Prime Minister appealed to the Consortium to increase oil production over the guaranteed minimum by 10 million tons during the current (second) year of operations, emphasising the critical financial problems which faced Iran in the next few years. After some delay, the Consortium replied that they would do their best, but could not guarantee, to increase production by some 2 million tons, a figure which the Iranian Government found disappointing. News of Mr. Ala's appeal leaked to the press and a campaign for more production developed. This in turn encouraged opponents of the oil agreement and others, including some members of Parliament, to attack the Consortium on a broad front. The Consortium issued a cautious and well-worded statement to the press pointing out the problems involved, notably that of finding markets for additional

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production. This did not, however, quieten their critics, who maintained that the member companies between them controlled world markets and that it was therefore dishonest to invoke this as an excuse; contrasted Iranian production with that of Saudi Arabia and Kuwait; and urged the Western Powers not to ignore the legitimate needs of their friends. Criticism did not reach serious proportions, but there was clearly a danger that it would do so if the Consortium proved unable to get nearer to the Prime Minister's figure than they had indicated.

Defence and Foreign Affairs

12. Though, with the exception of the Shah, the Iranians had entered the Bagdad Pact last year with little enthusiasm, the Iranian Government, once in, did their best to make the Pact a success. To judge by reports from Her Majesty's Embassy at Bagdad their representatives and experts at the various meetings there gave a good account of themselves and were sometimes able to make a positive contribution to the discussions. The Government made strenuous efforts to ensure the smooth running of the second Council meeting in Tehran (due to start on the 16th of April) and of the preceding meetings of the various committees. Given their lack of experience and limited resources they showed a surprising and encouraging degree of efficiency in making the preliminary administrative arrangements. The series of meetings began on the 29th of March with the Liaison and Counter Subversion Committees.

13. The original plan did not envisage a meeting of the Military Committee. However, the Iranian Government represented strongly that this would be interpreted by public opinion to mean that the defence of Iran was not being taken seriously. The subsequent decision of Her Majesty's Government to agree to a meeting of the Military Committee in Tehran was therefore most welcome to them.

14. The Iranian Government quite clearly feared that the Pact would fail to produce results and that they would stand convicted of a major error in foreign policy. At the end of March the Foreign Minister spoke to me at length on the seriousness of the situation in the Middle East, the need for positive and prompt achievements within the framework of the Pact and the vital importance of the United States adhering. One practical example of Pact co-operation was the success of the Iranian armed forces in subduing the Javanrudis, a small but combative Kurdish tribe. Hitherto the tribe had been able to slip over the Iraqi frontier when operations were mounted against them, but on this occasion they were prevented from so doing by Iraqi security forces.

15. Our relations with the Iranian Government, the armed forces, and officialdom remained generally friendly. The Government were pleased and flattered by your visit to Tehran on the 10th to the 11th of March and by that of the Minister of State for the Board of Trade early in January and they did not try to use the occasions to extort political or economic help. On the other hand there was a growing undercurrent of feeling that "the British" were beginning to interfere again in Iran's internal affairs. It seemed to derive, typically if irrationally, from increasing identification of us with the Shah and his Government (with its supposedly "pro-British" composition), from jealousy and suspicion of our commercial successes and from suspicion of the increasing number of British business men and technicians who came out, particularly of those employed by Messrs. John Mowlem on the road contract, whose work necessarily took them all over the country.

16. The troubles in Bahrain led to a great deal of press comment. Relatively little hostile comment was aimed directly at Her Majesty's Government, the "usurping Sheikh" and "his British adviser" attracting most of the fire and the unsympathetic attitude of the Arab countries to the Iranian claim again causing pained surprise. There was a growing—and perhaps, from our point of view, salutary—realisation that Egypt and Saudi Arabia were emerging as competitors for effective control of the island. At the end of the quarter some newspapers were demanding that Bahrain should be discussed in the Bagdad Pact meeting, *Ettela'at*, the leading newspaper, also urging us to "give it up" as a friendly gesture. Bahrain is still a serious potential threat to Anglo-Iranian relations should the climate of opinion turn against us generally.

17. Relations with the United States remained somewhat strained for most of the quarter but improved at the end when the United States finally produced aid in the form, if not to the extent, required by the Iranians (see paragraph 7 above).

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18. The Soviet cause suffered a setback in March when an assistant Military Attaché at their Embassy was caught in the act of receiving secret documents from an Iranian Air Force N.C.O. He was given a week to leave the country in spite of the inevitable Soviet protestations that he had been framed. Soviet policy towards Iran remained experimental. The Iranian Parliamentary Delegation which visited the Soviet Union at the turn of the year were given a most fulsome welcome, but had to listen to public criticism by Soviet leaders of Iran's adherence to the Pact. At first the Soviet propaganda barrage was maintained and a third Soviet note protesting against Iran's adherence was delivered on the 4th of February. In the propaganda field the Iranians adopted a policy of replying vigorously and in detail, in their internal broadcasting, to Soviet broadcasts in the Persian language. This policy paid off, for by the end of the quarter Soviet propaganda attacks on Iran had diminished. The Government did not hasten to reply to the note, but made it clear that their reply (which was actually delivered early in April) would again reject the Soviet protests.

19. Relations with Afghanistan went from bad to worse, and some Iranian leaders, notably among the military, showed signs of becoming obsessed with the undeniably disquieting degree of Soviet penetration of that country. An Iranian Delegation left in March for the proposed Helmand River talks in Washington, but there was no news of progress.

20. The Shah's State visit to India in February was uneventful. He seems to have returned with an improved opinion of Mr. Nehru, who apparently did not attempt to criticise the Shah's foreign policy.

21. I am sending copies of this despatch to Her Majesty's Representatives at Washington, Ankara and Bagdad; to the United Kingdom High Commissioner at Karachi; to the Political Representative at Nicosia; to the Head of the Middle East Development Division at Beirut; and to the Commander-in-Chief, East Indies.

I have, &c.

R. B. STEVENS.

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EP 1015/9

No. 9

IRANIAN PARLIAMENTARY ELECTIONS

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received April 23)(No. 40. Confidential)
Sir,*Tehran,
April 17, 1956.*

I have the honour to submit a description of parliamentary elections in Iran and to report on the stage reached in the current elections to the National Consultative Assembly (Majles). In using the word "elections" it should be borne in mind that they have for a long time been elections in name only.

2. Annexed are summaries of the laws covering the Majles and the Senate elections. The original Majles election law was passed in 1911 and was amended eight times between 1925 and 1943. The Senate election law was passed in May 1949. The Senate itself, although there were provisions for its formation in the 1906 Constitution, met for the first time in February 1950. The full term of the Majles (*i.e.*, if it is not dissolved by the Shah under his constitutional powers) is two (solar) years but this may be extended to four years during the life of the next Majles (see Mr. Titchener's despatch No. 131 of the 21st of November, 1955). The Senate, unless it is dissolved, has no set term but one half of its members are replaced, or their mandates renewed, every three years, each Senator having a normal full term of six years.

3. As you are aware, the elections for the Majles have been going on for the last two months or so in a desultory fashion, but there are no Senate elections this year. This seems, nevertheless, a useful opportunity to compare the differences in procedure in elections to the two Houses and the divergences between the law and the practice. The first main difference between the two systems is that, whereas the whole Majles is elected only one-half of the Senate is elected and the other half is appointed by the Shah. The second is that the Majles elections are direct whilst the Senate elections are carried out in two stages, whereby the persons elected in the first stage by the constituents form themselves into an electoral college to elect a Senator or Senators from their own number. A third important difference, although it is not stated in so many words in the law, is that Majles electors need not be literate (their voting slips may be filled in by anyone outside the polling station) but Senate electors must at least be able to write down the names of their choice in the committee room. (It is not stated whether this should be done in the sight of the supervisory committee or not.) There are also lesser differences. For example, the minimum age for Majles electors is lower than that for Senate electors; the minimum age for Senate candidates is higher than that for Majles candidates and there is a maximum age limit for the latter only; and the qualifications for Senate candidates are more exclusive than for Majles candidates. It should also be noted that the distribution of Senate seats, which was laid down in the 1906 Constitution, deliberately favours Tehran, and the distribution of Majles constituencies (which can be changed by normal legislation) is sadly out of date and consequently unfair. For example, Yazd and district has three Deputies but Abadan and Khorramshahr have only one between them.

4. That is the law. The practice is quite another matter. The most obvious present demonstration of this is that the current Majles elections have hardly begun, only 12 Deputies having been elected so far. They should in fact have been completed at least two months ago according to the law (see paragraph 9 of Annex A) since the 18th Majles came to an end on the 15th of April. There will therefore be, not for the first time in Iranian constitutional history, a period without any Majles the length of which will depend on the whim of the Shah and his Government.

5. There are rather less obvious but equally traditional ways of flouting the law. Apart perhaps from the first and second Majles, before the first world war, elections have always been more or less heavily rigged. The rigging has been done by different authorities according to the circumstances of the time. Reza Shah attended to it himself. In the present Shah's reign it has until now been done by the Government or by the Shah and the Government acting in varying degrees of

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harmony. This time it is the Shah himself who is in charge. When the control of the central authorities is strong they have things almost all their own way. In less settled times, or whenever the local authorities (including local notabilities) think they can get away with it, the latter have much more say.

6. The usual technique is for the central authority to prepare a list of approved candidates and to give the relevant names to the local authorities (usually the military as well as the civil), who are expected to ensure that these persons are elected. Local sentiments cannot be entirely ignored, if only because in some areas, such as Fars and Azarbaijan, there is some sense of solidarity to back up resistance to someone who does not belong to the area or who is disliked by its more influential inhabitants. Even if resistance in the constituency is not successful the other Deputies of the region can still hope to have the offender's credentials rejected by the Majles itself. This was done, for example, to a Tehrani elected from a Fars constituency in General Zahedi's time.

7. The existence of an approved list does not mean that every person whose name appears on it can rest on his laurels. Changes are made in the list up to the last moment, for a variety of reasons including the use of bribery or influence, political expediency or personal spite. But once election time arrives the person whose name has been given to the local authorities can usually be confident of the result. Except when the national or local situation is disturbed nobody else in the know would push himself forward (there is no nomination of candidates) unless he attached no importance to losing face or felt sure of sufficient active local support to make the rigging of the election blatantly obvious.

8. The methods of manipulating elections are basically the same throughout the country. It is clear from the law that the central supervisory committee in each constituency has considerable powers and this committee can be hand-picked and controlled, with or without inducements, by the Governor. The candidate in his turn ensures by money or other means that the committee and the senior local officials (civil, military, police and gendarmerie) regard him with favour. The candidate should also pay some attention to the voters, or at least to those of them with influence over the others. Iranian elections have little approaching Eatanswill. Money and the use, or promises of the use, of influence are the usual methods.

9. Sometimes a Governor takes his own line because of personal predilection or for favours received. Two Governors have done this already this time. They started elections in their districts (one in Azarbaijan and one in Khuzistan) in order to help their particular friends before they received effective, as distinct from the legal, instructions. They were both dismissed and the elections stopped. It is also possible for a supervisory committee, after being formed, to resist the "suggestions" made to it. If pressure fails to change its stand, it can be dissolved even though there is no legal provision for this. The Central Government can go further. If they are uncertain of their ability to impose their candidates or fear disturbances in a particular constituency or in whole areas, they can decide not to hold elections there at all, as Dr. Musaddiq did in a number of constituencies in the elections to the 17th Majles and as was done in Kerman during the last Majles.

10. Assuming, however, that things are running smoothly and that the supervisory committee do what they are told, the law would still seem to present a number of obstacles to out-and-out manipulation. These do not deter a resolute committee. If a name other than that of the approved candidate is on a voting slip the committee member responsible for reading out the names (see paragraph 6 (i) of Annex A) can still read out the name of the approved man. If necessary the votes can be changed overnight after bribing or intimidating, or both, the policemen or gendarmes on guard. If everything else fails the committee can declare the approved candidate the winner regardless of how many votes he and others may have been given. If members of the public present during the counting of votes become too inquisitive or suspicious they can be dealt with by the security authorities. This is particularly easy in the more rural areas where the inhabitants are by nature and by circumstance more manageable than in the towns.

11. In general it is clearly easier to rig elections in the single-member and smaller multiple constituencies than in the larger multiple constituencies such as Tehran and Tabriz, and perhaps Shiraz. In these places there is more room for competition and a rather better opportunity for freedom of election, but manipulation can be and is carried out on a large scale. The approved candidates,

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or at least a large majority of them, are still elected. The authorities may, for tactical reasons, let in some popular figure of whom they do not approve, but they would be a poor Government who were not able to prevent the election of someone whom they wholeheartedly wanted to stop.

12. Similar techniques are used in the Senate elections and are equally effective in spite of the differences in procedure. The number of eligible voters is considerably less because of the "literacy" qualification and they are consequently easier to cultivate. The two-stage procedure should in theory make it more difficult for the approved list to be successful, but when the elections are being efficiently organised the authorities can usually arrange for only those persons to be elected in the first stage who agree to elect the approved candidates in the second.

13. It should not be thought that none of the successful candidates would be elected if the proceedings were freer. Some of them almost certainly would be. Although free elections could hardly be expected in the present state of Iran, the Shah and the Government could gain kudos by giving the electors more rope in constituencies where a respected local inhabitant is clearly acceptable to the electorate. (I understand that some of the elections to municipal councils that have been held during the last six months or so have been freer than the usual parliamentary elections, but the few Majles elections completed so far, all from single-member constituencies, have been in the traditional style.) A favourable impression could also be made by refraining from imposing objectionable "outsiders". (To quote an example of this practice: in General Zahedi's time Bandar 'Abbas had to accept as its Deputy a rich and notoriously corrupt merchant who has apparently visited his constituency only once and that nearly two years after the election.) Judicious action in this sense might also improve the quality of the Majles. It would also be a good move on the Shah's part if he were to exclude some of the more notorious rascals in the present Majles. The omens so far on this last point are equivocal.

14. Conflicting rumours about the present elections have been circulating for months, but one point which is generally agreed is that this time the Shah is controlling them. (This does not, of course, prevent most people from believing that the Americans and the British also have a say.) It was at one time believed that the Shah intended packing the Majles with young "royalist progressives". Later it was thought that he would change at least a third of the present Deputies. A few weeks ago, on the Shah's return from his State visit to India, a strong rumour that he had changed his mind again started a new flurry amongst many aspirants. It now seems possible that the next Majles will not be very different in composition from the recent one.

15. As regards the timing of the elections, it has been accepted all along that it would be so arranged that there would be a period without a Majles. Until recently it was widely held that the next (19th) Majles might not be formed before September, but it is now being said that the Shah wants sufficient elections to be completed to allow the Majles to meet by June. This seems possible. It would appear to be the wisest course since there would be little advantage and possibly some danger in drawing out uncertainty now that the 18th Majles has ended and its members no longer need to be kept in line.

16. All this having been said, I might draw attention to the ironical fact that a Majles has rarely shown gratitude to the persons who packed it and more than once it has turned on them. (The behaviour of the 15th Majles towards Qavam-us-Saltaneh is a classic example.) The Shah cannot, of course, be treated like a Prime Minister, but the next Majles, once it has settled down, and particularly if its term is lengthened to four years, may well be more difficult to control than the last Majles was for its last year of life. When Reza Shah was at the peak of his power the Majles was, of course, little more than a rubber stamp, but the present Shah has much to do if he wishes to reach a similar position. I hope in due course to write a further despatch on the questions of the Shah's relations with the Parliament and the powers, both legal and actual, of the sovereign and of the legislature.

17. I am copying this despatch to the Head of the Political Office, Middle East Forces.

I have, &c.

R. B. STEVENS.

ANNEX A

MAJLES ELECTIONS

A SUMMARY OF THE LAW

1. Number and Type of Constituencies

There are 136 seats in the Majles of which 53 are filled by Deputies from single-member constituencies and 79 from multiple constituencies. The four remaining seats are filled by representatives of the religious minorities (Armenians (two), Jews (one) and Zoroastrians (one)). [The representatives of the religious minorities are elected in a similar way to the other Deputies except that there are no constituencies in the normal sense, votes being cast in the areas where there are important concentrations of any particular minority.] The most important multiple constituencies, with the number of seats, are:—

Tehran	...	...	...	12
Tabriz	...	...	...	9
Shiraz	...	...	...	5
Meshed	...	...	...	4
Kermanshah	...	...	...	4
Isfahan	...	...	...	3
Yazd	...	...	...	3
Zenjan	...	...	...	3
Sanandaj	...	...	...	3
Babul	...	...	...	3

There are also fifteen two-member constituencies.

Azərbayjan has 20 Deputies in all; Tehran and suburbs, Fars, and Khurasan 15 each; Khuzistan has only 4. [These differences reflect not only the differences in population in these various areas at the time of the constitutional revolution 50 years ago but also the relative influence of these areas at that time. Azərbayjanis, for example, were in the forefront of the revolution.]

2. Qualifications of Electors

(i) To be eligible to vote a person must be:—

- (a) a male Iranian subject;
- (b) at least 20 years of age;
- (c) resident in the constituency for at least six months before the election begins.

(ii) He is disqualified from voting if he falls into one or more of the following categories:—

- (a) under legal guardianship (i.e., not legally responsible for his own actions),
- (b) a Muslim converted to another religion,
- (c) a bankrupt,
- (d) a beggar, a vagabond, a murderer or a robber.

All active members of the fighting services are disqualified from voting and members of the police and gendarmerie are disqualified from voting in the area in which they are serving.

3. Qualifications of Candidates

(i) Candidates for election must be:—

- (a) male Iranian subjects between the ages of 30 and 70;
- (b) Muslims except in the case of the Deputies representing the religious minorities;
- (c) able to read and write Persian adequately;
- (d) well-known in the constituency for which they are standing;
- (e) of good reputation from the point of view of honesty and integrity.

(ii) A person fulfilling the above conditions is nevertheless disqualified for election if he falls into one or more of the following categories:—

- (a) a member of the Royal Family;
- (b) a Minister or political Under-Secretary;

- (c) Governors-General, Governors and their assistants, officials of the Ministries of Finance and Justice, and heads of the local offices of other Government Departments, in the area in which they are serving. [Other Government officials are not disqualified but must give up their official duties while they are Deputies];
- (d) active members of the fighting services and of the police and gendarmerie;
- (e) murderers or robbers;
- (f) those who have shown themselves to be immoral or have been converted from Islam to another religion;
- (g) those who have actively worked against the established system of Government or the country's independence.

[No Deputy may accept a paid Government post whilst serving in the Majles.]

4. Formation of the Committees for the Supervision of the Elections and their Duties

(i) As soon as the order to start elections is received the Governor of each district invites 24 persons, 4 from each of the 6 different "classes" of the local population (*i.e.*, *ulama*, notables, landowners, merchants, representatives of guilds, and peasants), and 12 literate persons of the constituency to meet so as to elect from amongst themselves a supervisory committee of 9 members with 9 alternate members in reserve. These committees should be formed within five days of the receipt of the above order. Subordinate supervisory committees are formed in similar fashion in sub-districts. The committees should dissolve within two weeks of the end of the elections.

(ii) Five to fifteen days before the elections are due to start the supervisory committee must publicly announce the whereabouts of the committee rooms, the times fixed for distribution of the *ta'refehs* (voters' cards) and for voting, the conditions for electors and candidates and the number of Deputies to be elected in the constituency.

5. Method of Voting

(i) The *ta'refeh* (voter's card), numbered and dated, and signed and sealed by the supervisory committee, contains the name of the authorised voter, his father's name, his profession and his address. When the elector comes to cast his vote his official identity card should be seen and stamped by the committee.

(ii) The vote is secret. Precautions must be taken to ensure that the ballot box is empty when voting starts, securely locked, and not tampered with during the period of voting. Votes are cast by those eligible putting into the box the name or names of his choice [previously written down] on a piece of rolled-up white paper, according to the number of Deputies to be elected. If voting is not completed in one day the committee will take charge of the box until the following day when voting will continue. [It should be noted that no special voting form is provided; also that candidates are not nominated before the election so that the elector has in theory a virtually unlimited choice.]

6. Counting the Votes

(i) The ballot box or boxes are opened by the supervisory committee in the presence of any electors who wish to be present and the total number of votes is counted. Then one member of the committee reads out aloud the name or names written on each paper and passes this to another member for examination whilst three other members of the committee record the names read out. The result is announced as soon as all the papers have been read. The ballot papers are kept for as long as the committee remains in existence, after which they are burned.

(ii) Unless there are complaints to be investigated, the credentials of the successful candidate are immediately issued and signed by the committee and counter-signed by the Governor.

7. Complaints

(i) Complaints (which can only be made by eligible voters) cannot hold up the course of the election but are recorded and investigated afterwards. They must be made to the committee within one week of the end of the elections. If no complaints are recorded the committee will dissolve at the end of that period, otherwise it will continue in office for one more week to consider the complaints.

(ii) Complaints may also be made concerning the supervisory committee or the election proceedings to the Majles itself within one week of the latter's being formed. The decision of the Majles on such complaints is final. Any complaints to the Majles about elections held after the opening of the Majles should be made within one week of the dissolution of the supervisory committee.

8. Formation of the Majles and the Taking of their Seats by the Deputies

(i) The Majles is formed as soon as more than one half of the Deputies are present in Tehran.

(ii) The period of each Majles is two solar years from the day when the credentials of three-quarters of the Deputies present in Tehran have been confirmed.

(iii) If a successful candidate should die or refuse to become a Deputy before he has actually received his credentials he should be replaced by the person receiving the next largest number of votes. If he should have already received his credentials and resigns or dies more than three months before the Majles is due to end there should be a bye-election. If a bye-election is not held within three months of the electors being notified of their representative's resignation or death the Majles itself will elect a replacement.

9. Time of Official Notification of Elections

It is the duty of the Ministry of the Interior to make the preliminary preparations for the elections, including the order to form supervisory committees, five months before the end of the current Majles so that the supervisory committees may announce the starting of elections three months to the day before the current Majles ends.

ANNEX B

SENATE ELECTIONS

A SUMMARY OF THE LAW

The Senate elections are carried out in *two stages*.

1. Number and Type of Constituencies

There are 60 seats in the Senate, 30 filled by elected Senators and 30 by Senators appointed by the Shah. In each case 15 of the Senators represent Tehran and the other 15 the various *Ustans* (provinces) of Iran. These districts each have one elected member with the exception of the following which has two elected (and also, therefore, two appointed) Senators: Tabriz with Eastern Azarbaijan (Western Azarbaijan is a separate single-member constituency), Fars, and Khurasan.

2. Qualifications of Electors

(i) To be eligible to vote a person must be:

- (a) a male Iranian subject;
- (b) at least 25 years of age;
- (c) resident in the constituency for at least six months before the election begins.

(ii) He is disqualified from voting if he falls into one or more of the following categories:

- (a) under legal guardianship (*i.e.*, not legally responsible for his own actions);
- (b) convicted of a crime or legally deprived of civil rights and not "rehabilitated";
- (c) all active members of the fighting services, the police and the gendarmerie.

3. *Qualifications of the Candidates*

- (i) A candidate for election must be:
 - (a) a male Iranian subject of at least 40 years of age;
 - (b) resident or well known in the constituency for which he stands;
 - (c) of a good reputation as regards honesty and integrity, and well informed in State affairs;
 - (d) a Muslim;
 - (e) a member or have been a member of one or more of the following categories:

Leading *ulama*; Majles Deputies elected at least three times; Cabinet Ministers; Ambassadors; Governors-General; Chief Public Prosecutors; Heads of Sections of the Supreme Court; judicial officials with at least 20 years' service; retired officers of the fighting services of and above the rank of Brigadier-General (or its equivalent); University professors of at least 10 years' standing; officials of at least 20 years' service who have been Ministers Plenipotentiary, acting Cabinet Ministers or Under-Secretaries; landowners who pay a minimum of 500,000 rials (about £2,380 at the present rate of exchange) direct taxes a year; barrister of the first grade with a minimum of 15 years' practice as a barrister if a Doctor of Law, otherwise a minimum of 20 years' practice.

(ii) A person fulfilling the above conditions is nevertheless disqualified for election if he falls into one or more of the following categories:

- (a) Government officials in the areas in which they are serving;
- (b) persons convicted of a crime or legally deprived of civil rights, even if "rehabilitated";
- (c) persons under legal guardianship (*i.e.*, not legally responsible for their own actions).

The above conditions apply equally to elected and appointed Senators with the exception of (ii) (a) which does not apply to the latter.

4. *Formation of the Committees for the Supervision of the Elections, and their Duties*

(i) As soon as the necessary instructions are received from the Ministry of the Interior the Governor of each district calls a committee composed of himself, the head of the local supreme court and the head of the local municipal council, or, if there is no such council, the head of the former council or a local notability. This committee appoints 24 persons from the six different "classes" of the local population and the Governor himself further appoints 12 persons qualified to be electors and trusted by the inhabitants of the district.

(ii) These 36 persons elect from amongst themselves by secret vote a central supervisory committee of nine members with nine alternate members in reserve. This committee must be formed within five days of the Governor's receiving the Ministry of the Interior's instructions. None of the members of this committee or of subordinate supervisory committees may stand for election in that district. Where there is a municipal or provincial council in existence four of the nine members of the supervisory committee should be members of such a council chosen by the council itself.

(iii) The central supervisory committee forms any necessary subordinate committees elsewhere in the constituency by appointing, subject to the Governor's approval, nine reliable local inhabitants.

(iv) As soon as the central and subordinate supervisory committees have been formed, the central committees must publicly announce, three to five days before the elections are due to start, the conditions for electors and candidates, the whereabouts of the committee rooms, the times fixed for the distribution of *ta'refehs* (voters' cards) and for voting, and the number of Senators to be elected. The time between the distribution of voting-cards and the voting must be not less than one and not more than three days.

5. *Method of Voting*

(i) The voters' cards and the registration of them are as described in paragraph 5 (i) of the Majles election procedure.

(ii) The voter is given an authenticated vote-sheet by the relevant supervisory committee, writes the names of his choice on the sheet in the committee room and puts the sheet into the voting box. (The precautions for safeguarding the voting box are the same as at paragraph 5 (ii) of the Majles election procedure.)

(iii) This is the first stage of the elections. The number of those elected in this stage in Tehran should be five times the number of seats for elected Senators, and in the other constituencies 10 times the number of such seats. [This means that in Tehran a voter may write up to 75 names on his vote-sheet.]

6. *Counting the Votes*

(i) The counting of votes is as described in paragraph 6 (i) of the Majles election procedure.

(ii) The subordinate committees send reports of votes in their locality to the central committee of the constituency which announces the names of those elected in the first stage. If any subordinate committee fails to arrange voting within the time laid down by the central committee it forfeits the right to call for votes in its locality.

7. *Second-stage Elections*

(i) As soon as the names of those elected in the first stage are announced the Governor invites them to attend at his office within 10 days in order to form a college of electors to carry out the second stage.

(ii) They should elect from amongst themselves the Senator or Senators for the constituency. This should be by unanimous vote, but, if, after two rounds of voting, there is no unanimous vote, a relative majority will be sufficient. If there is a tie lots are drawn.

8. *Complaints*

The procedure is similar to that described in paragraph 7 of the Majles election procedure.

9. *Membership and Formation of the Senate*

(i) A Senator's term of office normally lasts for six years from the date of inauguration of the Senate, except that at the end of the first three years of the Senate's existence the term of half of the Senators, *viz.*, half of those elected and half of those appointed, ends in order to provide for half of the Senate being renewed every six years. Those whose term is to last only three years are chosen by lot. They may stand for re-election or be reappointed. The same procedure applies when a new Senate is being formed after a dissolution. [After a dissolution the whole Senate is replaced.]

[*Comment.*—The Persian text here is obscure but the drift of it is fairly clear.]

(ii) The Shah inaugurates the Senate when two-thirds of the Senators are present in Tehran. Decisions are taken by a majority vote.

(iii) When an elected Senator resigns or dies he should be replaced by the person who was the next highest in the list of the second-stage elections. When an appointed Senator resigns or dies the Shah will appoint a successor provided that the Senator in question had more than one year of his term to complete.

(iv) At public meetings of the Senate a vote can be taken when more than one-half of the Senators present in Tehran are in attendance, and decisions are taken by a majority vote. There is no fixed quorum for debate.

(v) The Shah formally opens the Senate every year. The Senate year begins on Mehr 14 (early October) and ends on Khurdad 31 (second half of June). The Senate's meetings may be suspended by the Shah once in each year for a maximum period of one month. [This is additional to the Shah's constitutional right to dissolve the Senate.]

(vi) Senators enjoy the same parliamentary privileges and immunities as Majles Deputies. They may accept an *honorary* Government job at the proposal of the Government and with a decree from the Shah.

(vii) The Senate draws up its own rules of procedure.

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No. 10

THE TUDEH PARTY

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received May 8)(No. 42 Saving. Secret)
Sir,Tehran,
April 21, 1956.

I have the honour to report on the position of the Tudeh Party, which has changed considerably since Mr. Titchener wrote his letter 2193/5/55G of the 8th of November, 1955, to Mr. Samuel.

2. As a result of the interrogation of the members of the military plot arrested in 1954 and of Dr. Yazdi (1955 Personalities No. 159) who was arrested in March of last year, the security authorities obtained a great deal of information about the party's organisation and activities. They were able to increase their penetration of the party at middle and lower levels, and kept close watch on known party members in the hope of getting their hands on the leaders. Arrests of party members were made from time to time, and the functioning of the party's communications network throughout the country was seriously impeded. These measures added useful pieces to the jigsaw puzzle which the authorities were putting together with growing confidence, and the continuous pressure had an increasingly serious effect on the party's morale. Another important factor in the worsening of morale and the spreading of confusion was that it had become widely known that Dr. Yazdi, the most prominent of the party's leaders in Iran, had asked the Shah to pardon him.

3. Unrest in the party found expression in December last when its leaders were presented with a resolution adopted by senior members of the Tehran local committees which demanded radical changes in the direction of the party's affairs, including the expulsion of two members of the Executive Board (the equivalent of the Politburo) of the Central Committee.

4. Much of the credit for Yazdi's action belongs to Sayyed Zia-ud-Din Tabataba'i (1955 Personalities No. 150). At the time of the execution in 1954 of some of the officers implicated in the Tudeh military organisation, the Sayyed was known to be strongly opposed to execution and to have interceded with the Shah. Although the Sayyed's main motive in this was his strong opposition to the creation of martyrs, based on his awareness of the powerful emotional appeal which "martyrdom" *per se* makes to Iranians, his stand attracted considerable sympathy from the officers' families and other elements in the Tudeh Party, in spite of the bitter political enmity which the party nourished against him. In September last year Dr. Yazdi's brother approached the Sayyed and showed him a letter which Yazdi had written, asking the Shah for pardon, and which he wanted the Sayyed to hand to the Shah. The Sayyed considered this letter quite unsatisfactory for its purpose and there and then dictated another draft, with the double aim of effectively influencing the Shah and sowing confusion in the Tudeh Party. Yazdi accepted the draft, copied it and signed it. The Sayyed handed this to the Shah and eventually persuaded the latter that his pardoning Yazdi on these terms would strike an effective blow at Tudeh morale. The Sayyed would have liked the Shah to release Yazdi, arguing that this would create the maximum effect in the Tudeh ranks, but the Shah would not go as far as this. The Shah delayed action until the turn of the year when he formally commuted Yazdi's death sentence to life imprisonment.

5. In spite of the steadily weakening morale of the party its leadership kept up for as long as possible a front of unity and unshaken spirit. Party instructions emphasised the need for maintaining cadres intact and propounded the idea of a "popular front" in collaboration with nationalist elements, whilst the party newspaper, *Mardum*, maintained its effectively written exploitation of current causes of popular dissatisfaction. The crisis could not, however, be avoided. In the second half of December, before the Shah's act of clemency was announced, Dr. Yazdi was unconditionally expelled from the party and Engineer Muhammad Sharmini, who until shortly before his arrest nearly a year earlier had been the member of the Executive Board responsible for the Tudeh Youth Organisation,

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was also expelled for having signed a document attacking the party. Sharmini was, however, granted the possibility of readmission if he confessed his sins and submitted himself to party discipline.

6. A split in the leadership which had been latent for many years was now out in the open. Even if the purely physical obstacles set by the security authorities had not prevented regular meetings of the remaining members of the Executive Board, these decisions, reflecting the views of one wing of the leadership, made it difficult for what was left of the Executive Board any longer to maintain even the appearance of unity. A further blow was the arrest in early February of Dr. Muhammad Bahrami, a party veteran and member of the Executive Board, of Engineer 'Ali 'Alavi, another member of the board, and of Amanullah Quraishi, the "responsible" of the Tehran provincial committee and an important protagonist in the ideological differences within the party leadership. Bahrami and 'Alavi were the two members of the Executive Board whose expulsion had been demanded in the resolution mentioned in paragraph 3 above. After these arrests the Military Governor of Tehran, General Taimur Bakhtiar, went so far as to claim that the security authorities could put their hands on the other leaders whenever they wished.

7. As far as is known, the only leaders still at large in Iran are Kianuri, Jaudat and Ruzbeh. (There are, of course, a number of important and original party leaders who have been out of Iran for the last five or six years.) Kianuri, of whom the arrested Quraishi was an ally, has been a bitter personal enemy of Yazdi for many years, an enmity probably caused and certainly reflected in ideological differences between these two men. Jaudat's position is less clear but he seems to have leaned towards Kianuri's side whereas Bahrami collaborated with Yazdi. There is strong evidence that Yazdi and Bahrami are orthodox Communists. Kianuri, Quraishi and probably Ruzbeh, the brilliant young officer who organised the Tudeh military organisation, are considered to be "national" Communists or "opportunists". All three are certainly of an "activist" turn of mind.

8. During the past month or two there has been a series of further arrests of party members, including "second-grade" cadres, who have contributed further to the information about the party's activities and ramifications. The way in which these arrests have been made and announced at fairly regular intervals suggests that a desire to keep the anti-Communist drive in the public's mind has been an important factor in the Government's thinking. It may be only a matter of time before the leaders remaining in Iran are rounded up.

9. The authorities, in addition to normal security action, have aimed at undermining party morale by various other measures, using for this purpose party members, particularly army officers, held in prison. In late January a play demonstrating the treacherous activities of the military organisation was given public showings. It was produced and acted by a group of the imprisoned officers, many of them in the parts they had played in real life. These officers are also producing a publication called *'Ebrat* (The Lesson), exposing the treacheries of the Tudeh Party and its methods. Another move was the amnesty of the 23 Tudeh prisoners of lesser importance on the 5th of February on the occasion of the anniversary of the attempt against the Shah's life in 1949 and of 50 others at the Iranian New Year. It is not known what effect these measures have had on party members, but many members of the general public have greeted them with scepticism.

10. It would not be surprising if the party, as a result of all that has happened, were entirely disrupted. This is not so, but the party is certainly greatly disorganised. There have been obvious tergiversations in the party line: for example, the instructions about tactical denunciations of the party by arrested members have wavered considerably in the last few months. More recent party instructions have, however, managed to keep up a creditable appearance of confidence and resilience, not only stressing the need to maintain cadres but continuing to push the idea of a "popular front" with the nationalists. Moreover the newspaper *Mardum* was until recently still being produced in spite of the need for constant changes of printing place and in spite of the discovery by the authorities of the main distribution centre, as a result of which the lower levels of the party did not receive the paper at all regularly.

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11. I think it can safely be said that at the moment the party is less of a direct danger than it has ever been since it was firmly established. It cannot, however, be written off, even temporarily. There is still some organisation left and even if this were to disintegrate the more disciplined members would no doubt do their best to maintain contact amongst themselves and also probably to participate in other political activities such as the penetration of nationalist and other disaffected groups. The existence abroad of leaders of considerable stature who would be ready to take over at a suitable opportunity can also not be overlooked. The latter are known to have been in touch with the present leadership and were seriously considering what steps should be taken to remedy the situation, including the possibility of sending one or more of their number to Tehran.

12. Furthermore, the economic, social and political conditions which encouraged, for example, an impressive number of young army officers, a large proportion of whom were of good quality, to join a treacherous conspiracy, still exist. A number of those arrested in the last year or two have not begged for mercy and some of them faced torture and execution in a manner which impressed not only Tudeh Party members and sympathisers. Military government and military justice, with their concomitants of brutality and arbitrary arrest, produce their own counter-irritants. Fear and dislike of the Military Government's methods are common and tend to create sympathy for the victims irrespective of ideological views.

13. The security authorities have done an efficient technical job and have provided a breathing space during which the danger of Tudeh subversion will be at a minimum. It is now up to the Shah and his Government to deal satisfactorily with the much more difficult, but even more essential, task of removing at least some of the root causes of genuine popular discontent which have given the Tudeh Party many of its opportunities and which have attracted to it elements who in other circumstances would not have turned to a Communist Party in an effort to redress their grievances.

I am copying this despatch to Her Majesty's Representatives at Ankara, Baghdad, Karachi and Washington and to the Head of the Political Office with the Middle East Forces.

I have, &c.

ROGER STEVENS.

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No. 11

THE IRANIAN BUDGET

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received April 30)

(No. 43 E. Confidential)
Sir,

Tehran,
April 24, 1957.

I have the honour to enclose details of the recently approved budget⁽¹⁾ for the Iranian year beginning March 21, 1956, together with a summary of estimated receipts and expenditure during this year and the previous year. The budget contains practically no provision for development, since expenditure and receipts under this heading are provided for in the Seven-Year Plan budget; I shall be reporting separately on this.

2. A feature of this year's parliamentary approval was that the budget estimates were not subjected to the usual extremely detailed scrutiny in Committee or on the floor of the Majles before being sanctioned. With the Majles due to be dissolved shortly after the presentation of the estimates, the Government were faced with the possibility of having no parliamentary sanction for the country's finances until the election of the new Majles. In the end a compromise was reached whereby the general terms of the bill were approved, the Government agreeing to allow the Finance Committee of the two Houses to sit subsequently in judgment on the detail of the estimates and to accept such recommendations as the Committee might make.

3. During the year ending March 1956 revenue amounted to 10 billion rials instead of the 12 billion rials provided for in the estimates. Expenditure, on the other hand, totalled 16.5 billion rials, of which 14.8 billion rials had been provided for in the budget and a further 1.7 billion rials had been subsequently authorised by Parliament. As in the previous year, the deficit was met by American aid (\$45 million) and, to a minimal extent, by oil revenues.

4. The budget which has just been approved is the result of six months wrangling within the Government. This began when the Americans made it clear that the rapid rise of Iran's oil revenues would make it increasingly difficult to obtain Congressional approval for large grants in aid for the Iranian budget and that it was time the Iranian Government set its house in order.

5. The Government's first instinct was to divert a greater part of the oil revenues to meet the budget deficit, but they abandoned this course in the face of a firm stand by Mr. Ebtchaj and the strong reaction which this suggestion aroused in Parliament. As a consequence, the division of the oil revenues laid down in the recently approved Seven-Year Plan Bill is much the same as that proposed in the first draft of the Bill presented to Parliament last July. 60 per cent. of the oil revenues going to the Seven-year Plan and the Ministry of Finance receiving 10 per cent. of the oil revenues and any economies that can be effected in the budget of the National Iranian Oil Company. In addition, the Ministry of Finance are entitled to all revenue from any production in excess of the figures laid down in the oil agreement. The Government considered the wholesale pensioning-off of Civil Servants (four-fifths of the budget goes to maintain a host of under-paid and under-employed Civil Servants and soldiers). This had to be abandoned through lack of funds for their superannuation. The Government therefore turned to the United States and to the Consortium for help. After various hesitations the United States Government agreed to grant \$20 million from the President's Emergency Fund and a further \$5 million worth of surplus commodities. The preliminary exchanges may perhaps have impressed upon the Iranian Government that further aid will not be forthcoming unless they themselves make a serious attempt to balance their budget in future. Under pressure from the Iranian Government, the Consortium for its part agreed to do its best to increase production by 2 million tons during the current year, a figure which the Government have viewed with considerable disappointment.

6. Against these new sources of revenue, however, it became clear that increased expenditure would have to be faced as a result of the Shah's determination to strengthen the Iranian Army in consonance with the Baghdad Pact, and of the need to increase expenditure on social services in order to satisfy public opinion that a proper balance was being kept between defence and the internal economy.

⁽¹⁾ Not printed.

7. The budget, which has just been approved, embodies the results of all these decisions. It provides for an expenditure of 19.6 billion rials and a revenue of 15.7 billion rials. The Army and the Police are receiving 1,500 million rials more than last year and an extra 1,000 million rials are being spent on education, health, agriculture and roads.

8. As regards revenue, the Government has passed a new tax law on which I shall be reporting separately. More realistic than the two abortive laws which were passed and withdrawn last year, it should lead to a small increase in revenue. The Government have also altered the rate of exchange at which Customs duties are calculated, a decision which should increase these revenues by 10 per cent. The estimates which have just been approved take into account the revenue accruing from these two sources and also the money which the Government will be receiving from oil whether directly or through the National Iranian Oil Company and including the additional revenues which will arise from the increase in production which the Consortium have offered.

9. This still leaves the Government with a deficit of 4 billion rials, against which must be set the \$25 million (1,875 million rials) of aid promised by the United States (see paragraph 4 above). Since the passing of the budget the Government have realised that they must make a further effort to narrow the gap and they have decided to cut back the expenditure approved in the budget by 970 million rials. The cuts will be made mainly in the votes of the Ministries of War, Finance and Education. The price of sugar, which is a Government monopoly, has also been increased by 10 per cent. This, together with an increase in the duty on cigarettes and spirits, is expected to produce 200 million rials, thus leaving a deficit of the order of 1 billion rials. The possibility of an increase in the tax on petroleum products is also being considered. Further cuts (or, for that matter, restorations) may be made when the estimates are taken by the Joint Parliamentary Finance Committee.

10. Iranian budget estimates are somewhat elastic. When a case is being made for foreign aid, the paper deficit tends to grow and if aid is not forthcoming on the expected scale, essential expenditure is postponed. The estimates should not, therefore, be taken at their face value. I would, nonetheless, hazard that the Iranian Government will remain saddled with a substantial deficit and that the United States Government can expect to be under further pressure for aid during the American financial year beginning in July. It is encouraging, however, to see that the Government are making greater efforts than at any time since the fall of Dr. Musaddiq to set their house in order. Part of the credit for this goes to the steady, if sometimes tactless pressure applied by the United States Government, but much of it goes to the new Minister of Finance, Mr. Furuhar, who is showing the drive and realism which were so lacking in his two predecessors.

11. I am sending a copy of this despatch to Her Majesty's Treasury, Commercial Relations and Exports Department of the Board of Trade, Export Credits Guarantee Department, Her Majesty's Ambassador at Washington, the Head of the Development Division at Beirut and the Political Officer, Middle East Forces.

I have, &c.

R. B. STEVENS.

Enclosure

SUMMARY OF THE IRANIAN BUDGET ESTIMATES FOR THE YEARS BEGINNING MARCH 1955 AND MARCH 1956

Revenue	Year Beginning March 1955	Year Beginning March 1956
	(in millions of rials)	
Income tax	1,000	1,340
Tax on petroleum products	600	1,150
Tax on industrial alcohol	300	400
Tobacco monopoly	2,400	2,900
Sugar tax	n.a.	450

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Customs duties	4,200	4,875
*Oil revenues	750	2,025
Receipts from N.I.O.C.	—	1,000
Other revenue	2,750	1,659
Total revenue	12,000	15,784

Expenditure

Ministry of War	4,500	5,871
Gendarmerie	727	997
Police	841	1,052
Ministry of Posts and Telegraphs	390	525
Ministry of Education	2,104	3,583
Ministry of Agriculture	269	400
Road maintenance	237	400
Ministry of Health	518	580
Ministry of Finance	581	676
Tobacco monopoly	840	1,118
Other expenditure	4,037	4,663
Total expenditure	14,844	19,865

1. The debate of the budget is a complex one. It involves not only the allocation of funds but also the determination of the priorities for expenditure. The Government have to balance the needs of the different departments and the wishes of the public. The budget is a reflection of the Government's policy and its ability to raise revenue. The new law on revenue is a significant step forward. It will increase the revenue by 10 per cent. This will help to reduce the deficit. The Government are also taking steps to reduce expenditure. They have decided to cut back the budget by 970 million rials. This will help to bring the budget back into balance. The Government are confident that they will be able to set their house in order by the time the American financial year begins in July.

2. The main pattern of expenditure remains the same. There have been a few changes of emphasis. More money is to be spent on agriculture and within the industrial field on the development of sugar, textile and cement factories. There is also to be greater assistance to private enterprise within the shape of loans to industry or of loans to farmers for irrigation. The industrial loans are to be administered by the Industrial Development Bank, which will be largely under the control of Mr. Enteshar. Finally, more assistance is to be given to municipalities, most of which are extremely poor and would find difficulty in raising the 50 per cent share of expenditure which is the condition for an equivalent grant from the Plan Organisation.

3. The new law is a workmanlike document. The Government have been keen to increase revenue allocated to development. Parliamentary control has been kept within bounds and a fair balance struck between the Ministries and the seven-year Plan Organisation. The basic priorities seem about right and the Iranians have found that the need for durable work of the development expenditure to projects which will show quick results. Expenditure on communications and public utilities is particularly attractive because it benefits the country at large.

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* This includes both the 10 per cent. accruing to the Ministry of Finance from the production laid down in the oil agreement and the whole of the revenues from an additional production of two million tons of oil.

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No. 12

THE SECOND SEVEN-YEAR PLAN LAW

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received May 5)(No. 53 E. Confidential)
Sir,Tehran,
May 2, 1956.

I have the honour to enclose the text⁽¹⁾ of the recently approved second Seven-year Plan law. Eight months of debate within the Cabinet and the Majles have improved but not greatly altered the original Bill which formed the subject of Mr. Wright's despatch No. 81 E of the 21st of July, 1955.

2. The new law provides for an expenditure of 70 billion rials (£350 million) over the next seven years. This represents twelve times the amount which was spent under the first Seven-year Plan. Thirty-two per cent. of this sum is to be spent on communications, 26 per cent. on public utilities, 26 per cent. on agriculture and 15 per cent. on industry and mining.

3. The debate of recent months centred on three main points: the allocation of the oil revenues, the powers to be given to the Plan Organisation and the make-up of the development programme. As I reported in my despatch No. 43 E of the 24th of April on the Budget, the division of the oil revenues is much the same as that originally proposed by Mr. Ebtehaj. During the next four years the Plan Organisation is to receive 60 per cent. of the oil revenues arising from the production laid down in the Oil Agreement. During the succeeding three years they are to receive between 75 per cent. and 80 per cent. of these revenues. This will provide the Plan Organisation with the equivalent of \$936 million which should be enough to finance the expenditure provided for in the new law. While there will thus be an overall balance of revenue and expenditure, the Plan Organisation expect to be short of funds during the first four years and in surplus during the last three years. They have been authorised under the Bill to borrow up to \$240 million from private institutions; Mr. Ebtehaj is at present attempting to borrow \$50 million with the assistance of the International Bank for Reconstruction and Development.

4. Parliament have also somewhat clipped Mr. Ebtehaj's wings. There is to be greater parliamentary control of the Plan Organisation and this is to be shared between the Senate and the Majles. In addition, the Ministries have been given greater independence from the Plan Organisation. Instead of being subordinates of the Plan Organisation, they will now enjoy some freedom of execution, the Plan Organisation's functions being limited to planning and control.

5. Although the main pattern of expenditure remains the same, there have been a few changes of emphasis. More money is to be spent on agriculture and, within the industrial field, on the development of sugar, textile and cement factories. There is also to be greater assistance to private enterprise whether in the shape of loans to industry or of loans to farmers for irrigation. The industrial loans are to be administered by the Industrial Development Bank, which will be largely under the control of Mr. Ebtehaj. Finally, more assistance is to be given to municipalities, most of which are extremely poor and would find difficulty in raising the 50 per cent. share of expenditure which is the condition for an equivalent grant from the Plan Organisation.

6. The new law is a workmanlike document. The lion's share of the oil revenues remains allocated to development. Parliamentary control has been kept within bounds and a fair balance struck between the Ministries and the Seven-year Plan Organisation. The basic priorities seem about right and the Iranians have learned from Iraq the need for directing much of the development expenditure to projects which will show quick results. Expenditure on communications and public utilities in particular should bring tangible benefits to the country at large within a comparatively short time.

⁽¹⁾ Not printed.

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7. The greatest weakness of the Plan Organisation is its administrative organisation. Efforts are being made to improve it, but the handful of devoted officials who form its backbone are hampered at every turn by lack of elementary office facilities. It has already become clear that the costing of the new Plan was inadequate and that the schemes listed in it will cost two or three times the amount of money which has been provided in the law. It will therefore be necessary to make some unpleasant choices and to disappoint public opinion to some extent.

8. However, the achievements to date of the Plan Organisation are encouraging. While the new law was being debated in Parliament, Mr. Ebtehaj has set up in a comparatively short time a framework similar to that which exists for development in Iraq. International calls for tender supervised by reputable consultants have taken the place of back-stairs negotiations, and the Plan Organisation staff's lack of experience of major projects has been made good to some extent by the inclusion in the Organisation of a small team of technicians provided by the International Bank. Whatever the weaknesses of the Organisation, the fact that the oil revenues are four times as great as before the oil dispute provide solid grounds for hoping that the next few years will see a great change in the tempo of development in Iran.

9. I am sending a copy of this despatch (without enclosure) to the Commercial Relations and Exports Department of the Board of Trade, to Her Majesty's Treasury, to the Export Credits Guarantee Department, to Her Majesty's Ambassadors at Ankara, Baghdad, Karachi and Washington, and to the Middle East Development Division, Beirut (with enclosure).

I have, &c.

R. B. STEVENS.

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EP 1152/25

No. 13

DRAFT ANGLO-IRANIAN TREATY OF COMMERCE AND NAVIGATION

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 70. Confidential)
Sir,Foreign Office,
May 14, 1956.

As you are aware, discussions were held in London last year, in some of which Mr. Titchener participated, on the advisability of negotiating a new Treaty of Commerce and Navigation with Iran, and on the form which such a treaty should take. Her Majesty's Government have since decided in favour of negotiating such a treaty, and I enclose 15 copies of a draft⁽¹⁾ which has been prepared for to the Iranian Government.

2. Provided your Excellency sees no objection, you should now present this draft treaty to the Iranian Government. You should suggest that, when the Iranian Government have had an opportunity to consider the draft, they should consult with you to arrange for the conduct of negotiations.

3. For your own information, the draft treaty is in standard form, with the two following exceptions:—

(a) The usual provisions stipulating national treatment in the carrying on of business by companies and in participation in the formation of domestic companies have been omitted, in the light of Mr. Titchener's advice that to include them would prejudice negotiations at the very outset (see Article 7, paragraph 1; Article 8, paragraph 1; Article 15, paragraph 1; and Article 24, paragraph 10). In order, however, to secure rights to something more than most-favoured-nation treatment, provisions for "fair and equitable" treatment have been inserted into all these articles.

(b) The second paragraph of Article 9 has been expressly inserted with a view to strengthening generally the position of British oil interests, and in particular, to making more explicit the right of Her Majesty's Government to seize the International Court of Justice of a dispute relating to the enforcement of the Government Agreement of October 1954. Iranian Oil Participants Limited have been informed accordingly.

4. Article 19 of the draft treaty appears because Her Majesty's Government have recently decided to promote legislation to empower them, when necessary, to levy countervailing and anti-dumping duties on goods which are imported into the United Kingdom. The General Agreement on Tariffs and Trade (G.A.T.T.) by which commercial relations between the United Kingdom and a large number of countries are regulated, already permits the levying of such duties in certain defined circumstances, and it has been decided to include provisions on the subject in all future commercial agreements which deal with tariffs. It should be explained to the Iranian authorities that the inclusion of this provision is a matter of general policy, arising directly from the decision of Her Majesty's Government to promote the new legislation in the United Kingdom. It is in no sense a measure aimed at Iranian goods and its inclusion does not imply any intention on our part to impose these duties on Iranian goods.

5. The exception contained in paragraph 5 (d) of Article 20 is necessary as international commodity agreements may possibly require some discrimination between sources of supply or destination of exports. When the G.A.T.T. was reviewed in 1954, the idea emerged of setting up an Organisation for Trade Co-operation. It has not yet been decided whether the Organisation will be set up or not. If, by the time the draft treaty with Iran were about to be signed, the Organisation for Trade Co-operation had not yet begun to operate, it would probably be necessary to amend the wording of this paragraph. Your Excellency may wish to inform the Iranian authorities of this at this stage.

6. In the light of future negotiations with Japan and with the Federal Republic of Germany on a rather more detailed provision, it is possible that at a

⁽¹⁾ Not printed.

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later stage, and if the negotiating situation with Iran then permits, it may also be desirable to modify paragraph 2 of Article 24 so as to ensure that it does not apply to remittances and exchange control, or alternatively to make it perfectly clear that it does. You need not, however, mention this to the Iranian authorities at this stage.

7. Article 33 would only become operative if Iran joined the G.A.T.T. Its intention, in accordance with our general policy, is to avoid the possibility of a matter which could be settled under G.A.T.T. being raised under a bilateral agreement. Should the Iranian authorities say that, not being party to G.A.T.T., they do not want this Article at all, I should not wish to press for its retention.

8. Article 35 concerning the abrogation of previous treaties has already been the subject of correspondence resting with Mr. Wiggin's letter to Mr. West No. 1125/8/56 of the 21st of April.

I am, &c.

SELWYN LLOYD.

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EP 1533/8

No. 14

THE OIL INDUSTRY IN IRAN

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received May 26)

(No. 61. Confidential) *Tehran,*
Sir, *May 23, 1956.*

I have the honour to transmit to you herewith copies of an interesting despatch by Her Majesty's Consul at Khorramshahr reviewing developments in the oil industry in Khuzistan since the conclusion of the Oil Agreement between the Consortium and the Iranian Government and National Iranian Oil Company in October 1954.

2. I am sending copies of this despatch, with enclosure, to Her Majesty's Ambassador at Washington and, without enclosure, to Her Majesty's Consul at Khorramshahr.

I have, &c.

R. B. STEVENS.

Enclosure

(No. 5) *British Consulate,*
(553/56G) *Khorramshahr,*
Sir, *May 5, 1956.*

I have the honour, after just over one year since I arrived at this post, to review the developments, achievements and obstacles that I have observed in the working out of the Oil Agreement.

The Start of the Agreement

2. The Agreement under which oil flows once again from the shores of Iran to the free world was signed on the 29th of October, 1954. At that time there was a team of about thirty overseas staff referred to generally as "the survey party" who were brought in to assess the requirements of overseas staff to open up Abadan Refinery and the Oil Fields areas. Under the Agreement two Operating Companies were set up, one to manage the refinery (Iranian Oil Refining Company—I.O.R.C.) and the other to exploit the production of oil (Iranian Oil Exploration and Producing Company—I.O.E.P.C.), with the headquarters of both in Tehran. I.O.R.C. and I.O.E.P.C. have both had Americans as their general managers and for most of the time British assistant general managers. The other important posts have been divided

fairly equally among the British, Dutch, Americans and Iranians. The latter have been responsible for most of the non-technical operations, whilst the three former have carried the weight on the technical side. The French have been significant by their absence (there are two in Abadan). The headquarters staff in Tehran has at all times been in charge of a Dutchman and his assistant has been Dutch.

3. When I arrived in March 1955 there were around forty to fifty overseas staff in Abadan. Oil, both crude and refined, was beginning to flow once again. The overseas staff lived at the Riverside Guest House. They all knew each other; all had a major job of work to do, there were no wives in the area and there were no complications of housekeeping. One felt a spirit of pioneering and challenge among the overseas staff. Americans, British and Dutch lived and worked cheek by jowl and together most of them let their hair down on Thursday nights. On the Iranian side there was a general feeling of relief that agreement had at last been reached and that oil was once again flowing from Iran. Indeed there was a healthy atmosphere all around.

Difficulties Arise

4. As time wore on and life began to revert to normal, various cracks became apparent, first among the overseas staff. Wives arrived in April and May 1955, and gradually people moved into their bungalows. At once problems arose, especially among the Americans. The staff stores were ill-supplied with goods and this was the cause of considerable complaint. Bungalows were criticised as being too small and too out of date, difficulties arose over the issue of residence permits, which restricted travel, the lack of transport caused comment, club activity was at a standstill, &c., &c. Many of these points of criticism were fairly easily remedied and as the year drew to a close most of the complaints were forgotten until now the chief grouse, once again especially among the Americans, is that they are underpaid and cannot save. At the beginning one heard from all sides

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that never would they (the overseas staff) sign on for a second tour. To-day the majority of the British staff will return if so requested and a fair proportion of the Americans are expected back, although the latter will do so rather against their will and in the face of pressure from their parent companies. The appendix shows the analysis of overseas staff in Abadan as at May 1956.

5. As regards the Iranian staff—graded, non-graded and labour—all remained fairly satisfied during the first year of the new agreement, especially after the minimum wage decision which doubled the take-home pay of the labourers. But gradually the position began to change and Iranians of all categories have started to have certain misgivings. The misgivings to which I refer have stemmed mainly from three causes. First, due to the new policy of the Employee Relations Division of the Operating Companies, where there have been drastic changes from the old days of A.I.O.C. Second, the Operating Companies have a labour force far in excess of their requirements and appear to have no idea what to do with the surplus, which has made for an unstable position. And third, the Operating Companies have gone in for a heavy programme of retrenchment and various perquisites and uneconomic enterprises which existed in the past have been cut away.

Difficulties Analysed

6. I will now attempt to examine the causes of complaint more precisely. Employee relations in the Operating Companies as well as in Tehran have been in the hands of Americans, all of whom are from Standard Oil of New Jersey. The practices and procedures laid down by A.I.O.C. have been radically changed, in particular promotion, which in the days of A.I.O.C. was fairly regular and on merit, and which to-day is irregular and, as it is largely in the hands of Iranians, not always on merit. Gratuities which in the past were paid more or less regularly each year have been stopped. Supervisory and other training schemes have been introduced, but the pattern of the courses given is similar to those in the United States and the Western Hemisphere and do not suit the conditions and peculiarities of Iran and the Iranians. Employee Relations have also brought in a firm of Management Consultants, J. L. Jacobs from Chicago, who are preparing a

survey of the whole industry with a view to drawing up a job classification. This survey should be completed and presented to management this month or next. Whilst the ultimate aim of this job classification may be beneficial to the industry, it certainly has a disquieting effect until the results are known. To sum up, employee relations are criticised for being too inhuman and working too much to American standards.

7. The next point for consideration is that of surplus labour. In Abadan, where there is a labour force of approximately 29,000 people, it is said by management that there is an excess of about 15,000. Similarly in the oil fields area, where there is a labour force of around 15,000, there is thought to be a surplus of several thousand. Exactly what surplus exists is not, I believe, known, though one certainly exists. But the continual mention of surplus labour in Abadan, together with the quotation of a figure of 15,000, has undoubtedly helped to undermine morale both in Abadan and the Fields.

8. The problem of surplus labour is with little doubt the most serious facing I.O.R.C. and I.O.E.P.C. It is not possible for the Operating Companies to discharge labour. The conditions of employment, i.e., pay, sick benefits, housing, holidays, stores and security are far better in the oil areas than in any other part of Iran. The firm of J. L. Jacobs (see paragraph 6 above), who have made a survey of all the major industries of Iran and visited most of the leading towns, state that only around Tabriz is there a standard that can in any way compare to conditions afforded to labour in Abadan—and even then it is a good deal lower. As regards wages, the highest wages offered to labour outside the oil industry is in Tehran, where the average wage is around 55 rials per day, as against the minimum in the oil industry of 82 rials. It is therefore impossible to persuade labour to transfer to other industries as there are none which can offer any inducements at all. During the last few days I have spoken with Dr. Reza Fallah, Production Manager of the National Iranian Oil Company (N.I.O.C.), Mr. Hamid Bakhtiar, Deputy for Ahwaz and Shushtar, and Mr. Raji, candidate for the Majlis for Khorramshahr and Abadan. I asked each what he thought was the solution to this most difficult problem. Dr. Fallah replied that they must be settled on the land. I asked what he meant and he said that as a start 1,000 should be settled on the Karkeh site. I replied that I had just visited

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the project and was astonished to observe how little practical work had been carried out there. I said that no survey had been made of the land to be brought into cultivation and his reply was that the "Government will have to do something." As reported in my letter to Chancery 398/56G of March 25, I do not see any plan for resettlement in this area being ready for a long time. Mr. Hamid Bakhtiar suggested that surplus labour should be discharged but given a lump sum payment by the Operating Companies of between 10 and 12 months' salary and told to leave the area. I asked Dr. Fallah if he thought this possible even if accepted by the companies and he said, "No—quite impractical." Dr. Raji could offer no solution but agreed it was an acute problem.

9. In turn the Operating Companies themselves have no policy. As I mentioned above, they cannot discharge their surplus labour and are hindered by it at every turn. A few hundred labourers have been transferred temporarily to Costain John Brown, but the moment the latter have completed their pipe-line the labour so transferred will come back on the books of the Operating Companies. The surplus labour problem recurs in connection with "non-basic" and "not non-basic" operations, which under Article 17 of the Oil Agreement are due to pass over to N.I.O.C. At the moment the Operating Companies have agreed to take back on to their books any labour declared surplus by N.I.O.C. within three months of N.I.O.C. taking over a non-basic operation. So far N.I.O.C. returned ten labourers when they took over the Medical Division and seventy-eight in Abadan when they took over the farm ("not non-basic"). Thus the Operating Companies are forced after handing over non-basic and other operations to take back surplus labour from N.I.O.C. within a period of three months. Indeed many plans which the Operating Companies have for ridding themselves of non-basic and other operations are held up pending a solution of this vital problem.

10. The last cause of unrest to be considered is the effect brought about by the Operating Companies' policy of retrenchment and of cutting out uneconomic operations. The Companies decided some weeks ago to cut off certain services that have for years been accorded to officials in the area and at the same time to charge them realistic rents for Company tele-

phones, Company houses, &c. The officials, not entirely unnaturally, have resented these demands since their privileges have been enjoyed from time immemorial. This has caused a certain cooling off of relations between the officials and the Operating Companies. I.O.R.C. terminated a short while back certain subsidies which were paid to school teachers in Abadan. As a result the teachers staged a token strike (see my despatch No. 3 of April 5, 1956). At the same time the Operating Companies have closed down some of their more uneconomic enterprises and replaced contract labour by their own labour. For example, recently Palm Grove Restaurant in Abadan was closed where fifty people were employed. Twenty-five were absorbed into other catering departments of I.O.R.C., but the remaining twenty-five were transferred to house building. They protested to the Company and were told that they must either accept or be discharged. They appealed to the Ministry of Labour representative in Abadan and he supported the action of the Company. Now all except one are learning to build houses, but are dissatisfied. Similarly eighty labourers were transferred from Lali in the Fields area to the brick factory in Ahwaz. They had to leave their families in Lali and live in poor conditions in Ahwaz. When they complained they were met with the same reply—either accept or go. These are just some examples, and whilst we can appreciate the motives of the Operating Companies, the fact remains that the outcome of their policies has helped to create an unsettled atmosphere in the industry.

Relations between Operating Companies and N.I.O.C.

11. No despatch would be complete without a review of the present relationship existing between N.I.O.C. and the Operating Companies. Here too there has been in my opinion a deterioration in the last months. In conversation with Dr. Raji (see paragraph 8 above) I asked him how he thought the Agreement was working. He replied: "It is not." He went on to say: "I think the whole Agreement will come up for discussion in the next Majlis." He further said that he thought there was little co-operation between the Operating Companies and N.I.O.C. Dr. Fallah in reply to

the same question said that the Operating Companies were not making sufficient use of N.I.O.C., especially in Abadan. He thought that I.O.R.C. should take second place in Abadan to N.I.O.C., and that I.O.R.C. should use and build up N.I.O.C. far more. To quote an example, N.I.O.C. wish to take over property protection, listed in Article 17 as a "non-basic" operation. I.O.R.C. have resisted the handing over of property protection in the refinery area and the docks, on the grounds that they must be responsible for property within these areas. Dr. Fallah feels that as the property belongs to N.I.O.C. they should be responsible for its protection. In fact, Dr. Fallah has agreed that I.O.R.C. shall retain the Property Protection Division for another six months, but is critical of I.O.R.C.'s action. In all activities in the area it is I.O.R.C. and Mr. Kuhl who take the lead. Mr. Shaibani and N.I.O.C. are little heard of; indeed I doubt if any of the overseas staff have met more than one of the N.I.O.C. managers. In reality N.I.O.C. have little or no work to do, and this will remain the position until such time as they take over the "non-basic" operations. Dignitaries from Tehran over Now Ruz felt the impact of I.O.R.C. and Mr. Kuhl. It was I.O.R.C. who gave the parties for Princess Shams and Prince Ghulam Reza. It was I.O.R.C. that supplied houses for the guests to stay in. This must have galled N.I.O.C. All this added to N.I.O.C.'s very material sense of inferiority, brought about by their inability to produce and market oil between 1951 and 1954, and the very presence in Iran of the Operating Companies, which is a constant reminder of N.I.O.C.'s past inadequacy, makes for a delicate position. All three dignitaries referred to in paragraph 8 complained against the action of the Employee Relations Division, and all felt that more British with an understanding of Iran and the Iranians should be brought into the Companies.

12. That there are difficulties in applying the Agreement between the Operating Companies and N.I.O.C. is only natural, and although recently there may have been some misunderstandings Dr. Fallah said that there was no cause for anxiety. He was certain that Mr. Kuhl was honestly working towards close understanding, and felt that gradually he would come round to appreciate his (Dr. Fallah's) point of view. Dr. Raji's views referred to above showed

that he is out of touch with present day conditions in the area.

Achievements

13. It would not be right to let it be thought that there have been no developments during the first one-and-a-half years of the Agreement; there have. Oil exports from Bandar Mashur for the contract year (i.e., January 29, 1955, to January 28, 1956) have been in excess of the figure laid down in the Agreement. Two new jetties have been completed in Mashur, and a third is in process of construction. A new oil well has been brought in at Agha Jari (probably the largest in the world) and new drillings have started around Ahwaz. Friction among the overseas staff has been at a minimum, and the wastage of overseas staff has been small. In my opinion the overseas staff are making a very real effort to collaborate with the Iranians and make a success of the Agreement.

Conclusions

14. Problems certainly exist. To summarise them I would say: first, the Employee Relations Division must approach their problems from a more human angle and accept the fact that what goes in the West does not necessarily fit the pattern in Iran. Second, the big problem facing the Operating Companies is surplus labour. A solution must be found soon to this problem if the industry is to remain competitive. Third, as there is surplus labour no new recruits have been taken into the Company since 1951. This is bad for the area as youths who should be entering the industry are left idle in the area. It also means the Company is not training its quota of apprentices. Fourth, the Operating Companies should consider building up N.I.O.C. and themselves sheltering behind them. This can be done in many ways. To a certain extent the problem will look after itself when the "non-basic" operations are handed over to N.I.O.C.

15. In conclusion, Sir, I would say that the first year and a half of this new venture has gone remarkably smoothly. A careful watch must however be kept if trouble is to be avoided, and in "trouble" I include possible political intrigues in Tehran. Labour trouble must also be watched, but so long as martial law is maintained in Khuzistan there is not likely to be any major strike. In my opinion the Government of Iran would be well-advised to

retain martial law in this area for the present.

I have, &c.

J. S. BENNETT.

Appendix

Overseas Staff in Abadan on April 30, 1956

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Overseas Staff by Member Companies in Abadan on April 30, 1956

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Jersey	31
Socal	20
Texas	23
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Tidewater	2
Sohio	1
British Petroleum	74
Shell	35
Compagnie Française des	1
Petroles	1
Richfield	1
Direct Hire	44

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No. 15

THE SHAH'S FORTHCOMING VISIT TO THE SOVIET UNION

(1)

Sir James Bowker to Mr. Selwyn Lloyd. (Received May 28)

(No. 94. Secret)

Ankara,

May 23, 1956.

Sir,

In my despatch No. 96 of the 23rd of May, 1956, I have given a general account of that part of the official visit of Their Imperial Majesties the Shah of Iran and the Empress Soraya to Turkey, which took place in Ankara. Though several scattered exchanges on political affairs took place with the Shah during the four days spent in Ankara, the official programme was so fully charged that it was not possible to set apart any special time for political talks until the afternoon of the last day. The Secretary-General of the Ministry of Foreign Affairs gave me the following account of the talks which took place on that occasion. Apart from the Shah and the Turkish Prime Minister there were also present the Iranian and Turkish Foreign Ministers, the Iranian Ambassador and the Turkish Secretary-General.

2. As may be supposed the two subjects mainly discussed were the Shah's forthcoming visit to Russia and the Baghdad Pact. As regards relations with Russia, attention was drawn to the similarity of Russian policy toward Iran and Turkey since the end of the first world war, the friendship in the early stages followed by a harsher attitude and territorial threats, subsequently a strongly menacing attitude at the time of the conclusion of the Baghdad Pact and Iran's accession, followed recently by an onslaught of blandishments. Commenting on this the Shah said "our lot is the same and our policy must be concerted". As regards his visit to Moscow, he recalled that the invitation had been accepted before Iran's accession to the Baghdad Pact and said that there was no way of avoiding it. He did not relish the prospect. He knew that the Russians intended to make a special fuss over him. They had announced their intention of lodging him in the Kremlin, where special accommodation was being prepared. He anticipated that they would make him all kinds of offers, many no doubt fallacious. As far as he was concerned his friends had no need to worry. He would not find it difficult to resist and he would certainly do so. He would say as little as possible and would give his friends afterwards an account of what had happened. But when it was over it would not be enough for his friends to cry "well done!" The Russian offers would no doubt be publicised and the people of Iran must be convinced that his policy was the right one and that they were not losing by it. It was therefore essential that his allies should help. On this point he was sincerely worried. There was here no question of blackmail. His policy was set and he would abide by it. But for it to be of any use it must succeed, and for that his allies must give him solid support. In this context M. Menderes suggested that he should discuss his visit with the British and American Governments before leaving for Moscow, to which the Shah replied that he had already begun to do so.

3. I should add here that His Majesty spoke to me in a similar vein and most earnestly during the 20 minutes' conversation I had with him at the reception at the Iranian Embassy. On the same occasion His Majesty spoke to the American Chargé d'Affaires and expressed the hope that America would furnish Iran with adequate supplies of arms. Mr. Kohler replied that he understood that America intended to furnish Iran with the arms which her developing forces could absorb. The subject of arms was obviously much in the Shah's mind during his stay in Ankara. I have no doubt that he was favourably impressed by what he was shown of Turkey's new American equipment at the Military Review, and during the conversations he remarked that Turkey was in a specially-favoured position in this respect as a result of her membership of NATO.

4. As regards the Baghdad Pact, the Shah expressed confidence at the way in which the Pact was developing. At the same time he had been worried, he said, by certain critical remarks about the Pact recently made by Mr. Stevenson in America and Mr. Gaitskill. He had also been worried by the reference in Sir

Winston Churchill's speech at Aachen to the possibility of Russia one day joining NATO. He was concerned lest in subsequent talks with the Russians there might be a temptation to sacrifice Iran in the interests of a settlement on the supply of arms to the Middle East, or on the broader subject of disarmament.

5. There was a passing reference to Afghanistan, when the Shah expressed himself as uneasy over what was happening in that country and said that Afghanistan was not being reasonable in her present negotiations with Iran over the Helmand River. He asked the Turkish Government to put in a word at Kabul in favour of moderation. M. Birgi told me that he hoped it would be possible to get some details on the subject from the Iranian Foreign Minister before he left.

6. The Shah said that he had accepted an invitation to visit the King of Saudi Arabia and intended on that occasion to try to get King Saud to see where his true interests lay.

7. On the Iranian side conversation was led entirely by the Shah, who, M. Birgi told me, made an extremely good impression. He appeared to be in complete control of Iran's foreign policy; he talked clearly, explained his fears frankly and drew logical conclusions. In discussing the visit to Russia and the Baghdad Pact, the limited time available was spent in analysing the past and the present. M. Birgi said he thought there would be obvious advantage in discussing in more detail the tactics which the Shah should adopt in Moscow. It was possible that opportunity would be taken for further discussions in Istanbul.

8. I am sending copies of this despatch to Her Majesty's Representatives at Tehran, Baghdad, Karachi, Jedda, Kabul, Moscow and Washington, and to the Political Office, Middle East Forces.

I have, &c.

JAMES BOWKER.

EP 10338/26G

(2)

Mr. Selwyn Lloyd to Sir Roger Makins (Washington)

(No. 413. Secret)

Foreign Office.

Sir,

May 26, 1956.

You will have seen a copy of Sir Roger Stevens' letter to Mr. Shuckburgh of the 8th of May about the Shah's visit to Moscow. The point raised in paragraph 2 of that letter is of importance and you should take the matter up formally with the State Department on the following lines.

2. On the 20th of March, 1955, the Soviet Ambassador at Tehran asked the Shah for two assurances:—

- (i) that Iran would not become a military base, and
- (ii) that the Iranians would not permit the transit of non-Iranian forces through Iranian territory for the purpose of attacking the USSR.

3. The Shah gave these assurances, adding that (ii) applied provided Iran were not attacked. He authorised the Soviet Ambassador to convey these assurances to his Government. (See Tehran telegram No. 9 Saving of the 22nd of March, 1955.)

4. The Soviet Note delivered to the Iranian Government on the 4th of February, 1956, contained the following sentence:

"Le gouvernement soviétique attire l'attention du gouvernement iranien sur le fait que l'adhésion de l'Iran au bloc militaire de Bagdad promouvra les possibilités pour l'utilisation du territoire iranien par les forces d'aggression qui élaborent des plans d'attaque contre le territoire soviétique."

5. The Iranian Note of the 3rd of April in reply stated that Iran's adherence to the Baghdad Pact did not and would not create possibilities for the use of Iranian territory against Soviet territory. According to the Iranian Foreign Minister, the Soviet Ambassador asked what this passage in the Iranian Note meant and was

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told it meant precisely what it said. Dr. Ardalan explained to Her Majesty's Ambassador that he had deliberately avoided the use of the word "bases" in drafting the Iranian Note, so as to hold it in reserve for some future Note if the Soviet Government pressed the matter. He implied that if the matter were so pressed, the Iranian Government might be prepared to go further in the sense of the oral assurances quoted at paragraph 2 above.

6. Her Majesty's Ambassador at Tehran considers it extremely likely that the Soviet authorities will raise this question with the Shah during his visit to Moscow. I should therefore like to know what the State Department consider the Anglo-United States attitude should be if the Soviet Government pressed the Shah

(a) to reiterate formally the oral assurances he gave to the Soviet Ambassador on the 20th of March, 1955, or

(b) to go further, e.g., undertake that in time of peace there should be no stockpiling in Iran for the use of foreign forces, or building of air bases or other forms of infrastructure.

7. The State Department may have been prepared for an approach on these lines by a remark I made to Mr. Dulles at luncheon in Paris on the 3rd of May. (Mr. Livingstone Merchant, Mr. Bowie and Mr. Rountree were also present.) I said then that when the Soviet leaders showed during their visit to the United Kingdom that they were worried by Western air bases in Baghdad Pact countries, which might be a threat to oilfields in the Soviet Union, I told them that we had acquired, and intended to acquire, no new bases in Pact countries. I told Mr. Dulles that I wondered whether the United States might not think it advisable to give the Soviet Government similar assurances. Mr. Dulles replied that he would think it over. He said that the United States had bases in Turkey, but had not acquired them through the Baghdad Pact and had no intention of securing new ones.

8. I am sending copies of this despatch to Her Majesty's Ambassadors at Tehran, Moscow and Baghdad and to the Head of the Political Office with the Middle East Forces.

I am, &c.

SELWYN LLOYD.

EP 1942/2B

(3)

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received June 12)

(No. 513. Confidential)

Tehran,

(Telegraphic)

June 12, 1956.

Riches' letter EP 1941 of June 9.

I am seeing the Shah early on June 16 and it may be awkward for me to arrange to see him again before he leaves for Russia. I should therefore be grateful for any further briefing by telegram. Is there any possibility of obtaining United States views on the question of bases (your despatch 413 of May 26 to Washington)?

EP 1942/5

(4)

Sir Roger Makins to Mr. Selwyn Lloyd. (Received June 12)

(No. 1339. Confidential)

Washington,

(Telegraphic)

June 12, 1956.

Tehran telegram No. 513: Shah's Visit to Moscow.

The State Department regard the 1955 assurances as good answers to specific questions put to the Shah at that time. They hope that he will insist in Moscow that he is a constitutional monarch who cannot be called upon to formalise his earlier remarks.

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2. Should he be pressed to do so, there would be no harm in his repeating the earlier statements: to go further than this might unduly hamper Iranian freedom of action in the future without any corresponding gain.

3. If it appeared later that there might be advantage in Iran giving further assurances to the Russians, the State Department would like to consider the matter in the light of the circumstances existing at that time.

EP 1942/2

(5)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)

(No. 625. Confidential)
(Telegraphic)

*Foreign Office,
June 15, 1956.*

My despatch No. 413 to Washington [of May 26] and your telegram No. 513 [of June 12]: [Assurances to the Russians on Allied bases in Iran].

I agree with the State Department's line contained in paragraphs 2 and 3 of Washington telegram No. 1339 [of June 12]. Please speak to the Shah accordingly. If you consider that he will not be antagonised by it you should also speak in accordance with the last sentence of paragraph 1 of that telegram.

2. Please see my immediately following telegram.

EP 1942/2

(6)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)

(No. 626. Confidential)
(Telegraphic)

*Foreign Office,
June 15, 1956.*

My immediately preceding telegram.

Ankara despatch No. 94 shows that the Shah has two main preoccupations regarding his visit to Moscow:—

- (a) his fear that Iran may be "sacrificed" by the great Powers in the interests of a wider settlement; and
- (b) the effect on Iranian public opinion of the publicity which the Russians will give to any economic proposals they make to him, particularly if he feels obliged by his loyalty to the Baghdad Pact to reject them out of hand.

2. As regards (a), I realise that the Shah's fears on this score are engrained in him. If you think it would be useful, however, you should inform him that you have the express authority of Her Majesty's Government to reiterate formally to him that, as Mr. Bevin publicly stated on two separate occasions, Her Majesty's Government remain vitally concerned in the independence, integrity and security of Iran, and that Her Majesty's Government are determined to continue their policy of direct support to countries like Iran which are striving through military and economic efforts to safeguard their independence and territorial integrity.

3. As regards (b), Her Majesty's Government do not think that Iranian loyalty to the Baghdad Pact necessarily demands the automatic rejection of all Soviet economic proposals. This applies, for example, to increased trade. You should therefore tell the Shah that, as he knows, Soviet offers always have strings attached to them, but that it is important that they should appear to be considered on their merits. The Shah would therefore be well advised to avoid rejecting out of hand offers which have attraction from the propaganda or other points of view. He could say that he must consider them at leisure on his return to Tehran. Those proposals which offer opportunities for increased Soviet subversion can then be separated from those which merit further investigation.

4. Your advice on (b) will thus follow closely the advice you have offered to him on other aspects of his visit.

SECRET—GUARD

EP 1015/13

No. 16

CONSTITUTIONAL POWERS OF THE SHAH AND THE IRANIAN LEGISLATURE

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received June 2)

(No. 63. Confidential)
Sir,

*Tehran,
May 28, 1956.*

As foreshadowed in my despatch No. 40 of the 17th of April, I have the honour to submit a report for which I am largely indebted to Mr. Fearnley, on the Shah's relations with his Parliament and on the powers, legal and actual, of the Sovereign and the legislature.

2. Annexed is a memorandum summarising the constitutional powers and duties of the Shah, the Government and the Parliament. The Iranian Constitution is imprecise, obscure and inconsistent. Like nearly all Iranian legislation it can be subjected to interpretations which have little relation to its original intended sense.

3. Although constitutional appearances are usually respected, in practice the powers of the three arms of Government vary considerably according to the political circumstances of the time. Since just over a year ago, when he replaced General Zahedi by Mr. Ala without going through the traditional procedure (described in my Chancery's letter 1014/11/55 of the 8th of February, 1955, to Eastern Department) of first consulting Parliament, however nominally, the Shah has been dominant and the Government little more than his tool. He has had almost all his own way with Parliament over major matters, even to the extent of getting the Majles to chop and change the legislation on income tax three times in a period of about eight months. He has personally controlled the 19th Majles elections and almost all the Deputies who for one reason or another had showed tendencies to overt criticism or opposition have been replaced by men whom the Shah no doubt expects to be more amenable, regardless in some cases of their reputation.

4. All this he has done in the face of mounting disquiet over his personal intervention in government, which often goes into minute detail. There is no single or simple explanation for his apparent success in these circumstances. One factor has been that many Iranians with memories of 1951-53, and certainly those politicians who are not Communist or Musaddeqi, are reluctant to force a showdown with its possibility of disastrous consequences for themselves as well as for their country. There is also little doubt that, although a majority of the members of the two Houses of Parliament (whether this is taken to include the 19th Majles or the old one) at heart would like to see a change whereby the Shah would play a less direct part in government, no sufficiently large body of them has yet come at all near to agreeing on an alternative or still less on ways and means of reaching and enforcing one. Another consideration is that the Shah is making considerable use, both openly and discreetly, of his military powers. Military Government in Tehran and elsewhere such as the oil areas and the encouragement of provincial military commanders as the rivals and sometimes the masters of the civil Governors or Governors-General, are manifestations which give pause to many Iranians. During the last six months or so, self-interest has also played an important part, particularly among those Deputies who value their membership of the Majles more than any opinions they might hold.

5. The Shah has made more effective use than ever before of the opportunities presented by his constitutional position, even if this has been at the cost of alienating much of the goodwill towards him in the governing classes and in political circles generated by the events of 1953. He is able to choose ministers who do not work well together and even to set them against each other; he is able to play the numerous parliamentary groups or the Senate and the Majles themselves off against each other; he is able to reward complaisance and to take reprisals against opposition or independence. He personally appoints one half of the Senators and even in normal times has a substantial say in the "election" of the other half as well as of the Deputies, although, as I pointed out in my despatch under reference, continuing gratitude for the favour of a parliamentary seat cannot be relied upon.

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6. During the past year or so the Shah has had considerable success with these tactics, but the pressures which are building up under an apparently calm and ordered surface should not be ignored. These found open expression only sporadically in the last Majles and then, except for a few bolder spirits like Mr. Ha'erizadeh (who has not been re-elected), usually only in a rather indirect form which did not reflect at all fully the criticisms made in private by many Deputies of the state of affairs and of the Shah personally.

7. The Senate, which used to be regarded as more or less the "Shah's own" and as a gathering of timid old men, has been more consistently critical. The public expression of criticism and opposition has been made by a relatively small number of Senators (by no means all cryptonationalists), but their more considered statements have had the tacit support of many of their colleagues. The President of the Senate, Mr. Taqizadeh (1955 Personalities No. 153), too has shown some firmness in defending the rights and prestige of the Senate and is once again a force to reckon with in spite of his years. He even went so far one day as to say to a Senator, who is well known as a toady and who was making excessively flattering comments about the Shah, that the Senate would always pay proper respect to the Shah during his presidency but that flattery of that kind was out of place. The Senate has not yet gone to the length of rejecting or seriously impeding any important legislation, but a vote on the prolongation of martial law which it took a week or so ago after hearing strong criticism of the system and constitutionally of military Government was very close run, and probably deliberately calculated to be so. One action which the Shah intends to take to counteract this is to remove the most outspoken critic, Mr. Jamal Emami (1955 Personalities No. 38) by appointing him Iranian Ambassador to Rome. It is hard to think of a less suitable diplomatic appointment but, if Mr. Emami goes, his departure would certainly reduce the volume and force of open criticism in the Senate. It cannot, however, be expected to improve the attitude of other Senators.

8. The Shah may well feel more at ease about the new Majles, which is due to meet for the first time on the 31st of May. He has not only got rid of most of the more troublesome or independent elements in the last Majles and picked their replacements himself, but he will be able for some time at least to keep the Deputies in line with the promise of a possible increase of their term of office from two to four years (Mr. Titchener's despatch No. 131 of the 21st of November, 1955). On the face of things the new Majles certainly does not look formidable, but it should not be overlooked that the Majles as a body, whatever the quality of its individual members, can often be sensitive about its prestige and prerogatives. Its past President, Sardar Fakher (1955 Personalities No. 74), who seems certain to be re-elected to this post, however much he might compromise on other matters feels strongly on this point. The outlook at the moment, therefore, seems to be that the 19th Majles is unlikely to be very difficult to handle, at least in the early stages, but that the Shah would be well advised not to push it too far or too hard.

9. In addition to their capacity for obstruction and resistance the Majles and the Senate have another strong card in their hand; their constitutional right jointly or separately to vote the Government out of power. It seems unlikely that they would do this with deliberation in the foreseeable future, if only because it would be an open demonstration of lack of confidence in the Shah himself. It is, however, a potential threat which cannot be set aside and there is always a possibility that either House, if pressed unwisely, might be tempted to take such action in the heat of the moment.

10. This does not mean that I agree with all the criticism of the Shah which one hears voiced, usually privately. It is easy for Iranians to say that he should pick an honest and efficient team and leave them to govern the country while he himself, surrounded by elder statesmen of integrity, reverts to the role of constitutional monarch. However, the supply of intelligent incorruptibles is strictly limited, and the few who exist are all too often at odds with one another. I do not believe that the Shah, or any other monarch, could to-day form in this country a united, efficient and honest Government, not to speak of the administrative machine. In trying to run the country largely single-handed the Shah is undoubtedly taking a risk and unfortunately he makes mistakes and over-plays his hand from time to time. Those who work closely with him, or whose activities are affected by his interventions, naturally grumble profusely in private about his methods and argue with good reason that they are contrary to the principles of

good administration (though entirely in accordance with normal Iranian practice, which is to go to the top for everything and delegate as little as possible because you cannot trust your underlings). Concern over his personal rule is however primarily felt by these limited though admittedly influential groups. I doubt if the simple people at large really know what is going on. Moreover to the extent that they do they would probably rejoice, since it would provide evidence that the Shah at least is trying to "do" something whereas the Government against which their complaints are directed has the reputation of not "doing" enough. As long as the Shah is not identified in the popular imagination with the shortcomings of the Government, and continues to bask in the aura of his office, it would be a bold politician who would dare to dislodge him or even clip his wings. I think he knows this, and it is a source both of his strength and his weakness.

I have, &c.

R. B. STEVENS.

Enclosure

A SUMMARY OF THE POWERS AND DUTIES OF THE EXECUTIVE AND LEGISLATIVE AUTHORITIES IN IRAN ACCORDING TO THE IRANIAN CONSTITUTION

General

Iran is a constitutional monarchy vested in the House of Pahlavi.

The Constitution may not be suspended, either wholly or in part, but it may be amended by a Constituent Assembly.

The Shah

Powers and Prerogatives

The Shah's powers and prerogatives are only those which are expressly mentioned in the Constitution. Before being crowned [the present Shah has not yet been crowned] he must take an oath, swearing, *inter alia*, to do all in his power to safeguard the Constitution. He is the Commander-in-Chief of the armed forces and it is his prerogative to declare war and the conclusion of peace.

Appointment of Ministers and Officials

The Shah appoints and dismisses Ministers by decree and, except where otherwise provided for by law, nominates heads of Government departments and of diplomatic missions, but no other officials.

Legislative Powers

He has the right to issue decrees and to order the enforcement of laws. Laws passed by Parliament must be ratified by him, but he has no power to delay or postpone legislation. He may introduce Bills in Parliament. He may conclude secret treaties when it is in the interest of the State to do so, but he must bring them to the notice of Parliament as soon as the reasons for secrecy cease to exist. (The secret clauses of a treaty may not nullify the open clauses.)

Responsibility to Parliament

The Shah is "free from responsibility", i.e., he is not responsible to Parliament for the acts of his Ministers.

Powers over Parliament

He may call extraordinary meetings of the Majles and Senate and may dissolve both Houses either separately or together, stating the reason and at the same time decreeing new elections. The elections must begin within one month of the issuing of the decree and the new House or Houses must meet within three months of the issuing of the decree. A new house may not be dissolved for the same reason as the previous one.

The Government

[The Constitution makes no distinction between Ministers, and there are, therefore, no special powers or duties allotted to the Prime Minister, a title which is not even mentioned in the text of it.]

Responsibility to the Shah and the Parliament

Each Minister is personally responsible to the Shah for any abuse of the authority he derives from His Majesty. Each Minister is individually responsible to Parliament for the affairs of his Ministry, and the Cabinet are jointly and collectively responsible to Parliament for their actions. A Minister may not invoke written or oral orders from the Shah in order to disavow his responsibility. Each Minister is responsible to Parliament for any violation, or negligence in application, of laws, and must give the necessary explanations on any matter if requested by Parliament, except when the national interest demands secrecy.

Rights in Parliament

Each Minister has the right to attend the debates of the Majles and the Senate and, with permission, to make any necessary statements. He may withdraw from Parliament, at any time, a proposal put forward by him, unless this has been made at the request of Parliament when the latter's consent must be sought. If a Bill introduced by a Minister is not accepted by Parliament he may accept or reject Parliament's observations on it and may introduce it again.

The Parliament

[The Constitution is not clear about whether certain provisions apply equally to the two Houses of Parliament, the National Consultative Assembly (Majles) and the Senate. In practice, however, both Houses appear to enjoy similar powers except where specifically mentioned below.]

Special Rights of the Majles

Decisions on financial questions are reserved to the Majles, including the scale of taxation which must be fixed and approved annually. The Senate may only make observations on these questions, which observations the Majles is free to accept or reject. [One Article of the Constitution to some extent contradicts this by mentioning "approval" by the Senate of tax reforms. During the past year or so the Senate has had some success in establishing precedents allowing it to make amendments to financial Bills on points of general principle and on matters which in themselves are not solely financial.]

Legislative and General Powers

Parliament has the right to investigate any affairs of State, to discuss whatever it considers to be in the interests of the country and nation, and to make any necessary laws on the initiative of either House or at the proposal of the Government.

All disposals or sales of State property, modifications of frontiers, concessions, State loans, treaties (except for those which it is in the interests of the State to keep secret for the time being), the expenses of the Imperial Court, and the construction of roads and railways must be approved by Parliament. Laws must be approved by both Houses before being ratified by the Shah, but the approval of the Senate is not necessary if it is not in session. The Senate's discussions are without force during the period of dissolution of the Majles.

Parliament has the right to send delegations to petition the Shah whenever necessary.

Power over Individual Ministers and the Government

If a Minister acts irregularly or outside his authority Parliament shall request the Shah to dismiss him. Parliament may call Ministers to account and send them for trial.

When either the Majles or the Senate declares itself dissatisfied with a Cabinet or a Minister the Cabinet or Minister shall be considered dismissed.

Disagreements Between the Two Houses

If the two Houses of Parliament disagree over a Bill they must attempt to settle their differences by means of a joint committee. If this fails, either the Shah may order the enforcement of the views held by the Majles, or consideration of the question under dispute may be deferred for six months, after which time it may be raised again in either House.

Parliamentary Immunity

The immunity of the members of either House from molestation and from prosecution for a crime, felony or misdemeanour can only be raised by the relevant House.

EP 1172/1

No. 17

TAXATION IN IRAN

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received June 23)

(No. 70 E. Confidential)

Tehran,

Sir,

June 20, 1956.

I have the honour to transmit a translation⁽¹⁾ of the new taxation law which was approved by the Iranian Parliament on the 5th of April, 1956, and was subsequently signed by the Shah. Article 44 of the law states that it takes effect from the beginning of the Iranian year 1335 (21st of March, 1956).

2. Under Article 8, Section G, Comment 9, the Government have been given authority to impose a tax of 1,000 rials (nearly £5 at the present rate of exchange) on each airline ticket sold in Iran for travel abroad, only students and pilgrims being exempted. As reported in my telegrams Nos. 475 and 476 of the 26th of May, this tax, coming on top of the substantial municipality charges already levied on most airline passengers, has caused considerable resentment. At present the tax appears to be easy to circumvent. One British business man recently, faced with the prospects of a substantial tax bill when taking a large party of Iranians, including officials, to Baghdad to attend a demonstration of agricultural equipment, provided them with prayer beads, passed them off as pilgrims and only paid tax on his own ticket. Criticism of the tax, which at the best will probably not produce a yield of more than £35,000 a year, has assumed sufficient proportions to make the Government reconsider their policy. It seems likely that if it is not abolished altogether the tax will be drastically cut.

3. The new tax law represents the third attempt by the present Government to produce, over the last 18 months, a workable document. I am not myself sufficiently knowledgeable in these matters to know whether, given a fair wind, the present text is itself practicable; it can be said without fear of contradiction that it is a better document than its two recent predecessors. Whether it will lead to greatly increased revenue is another matter.

4. Two previous attempts, both in 1955, were intended to reform the situation which had prevailed since 1949. The first Bill, introduced in January, aimed primarily at simplifying the system of rendering the returns and making tax collection more effective without changing the basis of the 1949 Act. Although the Bill was much criticised by the habitual opponents of direct taxation, the Government decided that more drastic measures were needed to make any worthwhile impression on the chaos of both administration and legislation. The second Bill, introduced in June, contained bold proposals for placing the main burden of taxation upon the richer classes. There was to be a system of progressive direct taxation; generous exemptions were to be made for the poorer classes. The strength of the opposition encountered in the Majles was sufficient to withdraw the teeth from the final version which became law in August, and the new law was expected to provide less than half that produced under the 1949 law. The latest taxation law reinstates a few of the teeth from the draft of its predecessor and should produce a higher yield. A provision, superficially akin to our super tax, has been introduced (Chapter XIV). Under this incomes of more than £3,500 rising to £5,000 a year, will be required to pay a tax of 6 per cent. of that income in addition to the basic 6 per cent. tax (for all incomes over £240 a year). This tax rises steeply until those whose income is £15,000 or above are required to pay 50 per cent. of their income over and above that figure. Merchants are required to pay a basic 12 per cent. of their net receipts for the previous year. The professions have been divided into six categories and their liability for taxation ranges from £400 to £1,210 (ordinary profits enter the super-tax class).

5. Mild indeed as are these scales of taxation as compared with those for instance in the United Kingdom, the revenue even so is likely to fall far short of what it should be, simply because of the incompetence of the administrative machinery and the high incidence of evasion. Without an overhaul of the entire inland revenue system as dynamic as it is drastic, new laws may be introduced and old laws abandoned with very little positive net change.

⁽¹⁾ Not printed.

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6. In later paragraphs I attempt to describe the extent to which the reform of the taxation machinery is bound up with the wider problem of civil service reform and the financial consideration on which both hinge.

7. A serious attempt at radical reform of the financial and taxation system was first undertaken by the Grand Vizier Mirza Taghi Khan Amir Kabir (1848–51) during the reign of the Qadjar monarch Nasser-od-dine-Shah. The aims of the Vizier were wide in concept, and he directed his attention not only to financial and administrative matters but also to modernisation of the army and the reorganisation of the civil service, including the wholesale dismissal of redundant personnel. His assassination in 1851 arrested the progress so painfully achieved; and the resurgence of bribery and corruption, coupled with the dissolute extravagance of the Qadjars, rapidly reduced the country once again to its habitual state of indebtedness. Nor could the first National Assemblies, under the constitutional monarchy, achieve much in the way of financial and administrative improvement. It remained for Reza Khan Sardar Separ (who later became Reza Shah and founder of the Pahlavi dynasty) to make the next vigorous attempt to reform the civil service and introduce effective taxation.

8. Reza Shah's aim was the modernisation and industrialisation of the country. This could not be undertaken without substantial funds, and the "bourgeoisie", who had hoped to see in him the defender of their property and privileges, soon realised that under the impact of his strong nationalist movement there was no alternative but to pay the price. The Majles, on his orders, passed the first income tax law on 1st April, 1930, and by means of stringent direct and indirect taxation he collected much of the money necessary for his numerous reconstruction plans; evasion from taxation was then so severely punished as to become unprofitable.

9. But the time from the introduction of direct taxation to Reza Shah's abdication (in September 1941) was not long enough for the public to form tax paying habits, and with his disappearance the incidence of evasion began to rise. Such tendencies were inevitably aggravated by the consequences of military occupation of the country: black market, hoarding, inflationary trends and a general decrease in agricultural and industrial production.

10. The first actual income tax law was radically altered by the American Finance Commission (the 10th of November, 1943); this revised edition was again altered in 1946; and in July 1949 a new law came into force. This new law was to form the basis of recent attempts which have been made to put the finances of the country on a workable basis. The magnitude of the task to be undertaken can only be fully appreciated if seen against the background of events that followed World War II: the aftermath of military occupation aggravated by bad harvests led to famine in certain areas; a succession of rapidly-changing Governments undermined all continuity of effort; the revival of xenophobic sentiments culminated in the nationalisation of the oil industry on the 20th of March, 1951, with consequent drying up of the oil revenues. There was no dearth of elaborate plans formulated or orders issued during the period between the military evacuation of the country in 1945–46 and the downfall of Dr. Musaddeq in the autumn of 1953; but the majority of these appear to have achieved little in the way of practical improvement and merely served to swell the archives. Small wonder that under such unfavourable circumstances American attempts to assist in the economic stabilisation of the country proved largely abortive.

11. The attempt now being made to collect taxes is almost wholly American inspired, but at least it can be said that at the moment the general economic and political background is more stable and augurs for a greater measure of success. The Americans are likewise determined to instil in the Iranians some real sense of civic responsibility; and they have made it all too plain that in future further aid, particularly in support of the budget, will not be forthcoming unless the Government gives proof of determination to put their financial house in order, the collection of taxes being regarded as one of the prerequisites.

12. The problem of direct taxation here, however, is as easy to diagnose and as difficult to cure as some of the major diseases that afflict mankind. Although "correcting the system of tax collections" appears as first priority in the new Cabinet programme announced recently, the efficient collection of taxes is probably out of the question until the civil service has been reformed. Such reform cannot take place until the country is solvent, and that in turn depends to some extent on efficient tax collection, though mainly of course on adequate revenue from oil.

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13. The civil service is at the moment said to be about 160,000 strong; of these it is believed some 70,000 are superannuated for one reason or another, while continuing to draw full pay. Every attempt to reduce and streamline the service of late has foundered for reasons of political or financial expediency. Ministers, on taking office, introduce their own officials at various levels of their Ministry. Once having been appointed to Government service, such appointees cannot be sacked or reduced in pay or rank. Each new Ministerial appointment thus brings its own crop of additions to the service in various grades, necessitating relegation of the displaced officials to a short or long-term period of inactivity according to the political vicissitudes of the day. The Ministers themselves have found it politically expedient to attempt no reduction in the swollen ranks of their Ministries, since their tenure of office is usually so insecure that they cannot face the barrage of protest and opposition which would be met if any streamlining was undertaken. The salaries paid to civil servants and Ministers alike are not sufficient to allow them to maintain a reasonable standard of living (a Cabinet Minister's remuneration is the equivalent of £1,250 a year; a Judge of the Supreme Court gets £1,000 a year). It is not to be wondered at that the lower orders of the Judiciary and the Government departments are staffed with people who have to seek alternative means to augment their meagre income from official sources; and as long as they are underpaid, that is to say as long as there are so many of them, tax collection by those of them engaged upon it is bound to be lax and corrupt.

14. The present financial state of the country itself does not allow the Government to employ the least provocative method open to them to reduce the civil service to reasonable proportions, i.e., buying off the supernumeraries. Until they are in that position little progress can be made in civil service reform, or with the formation of an efficient and honest tax administration. Once that has been done, the overhaul of the system of taxation, at present archaic and impossibly cumbersome, can be begun; when one-half of the present revenue from direct taxation (70 million tomans) is absorbed by the costs of the tax administration, the hopelessness of the present assessing and collection system becomes apparent. In the United Kingdom about 72 per cent. of the national income is, I believe, from direct taxation; in the United States the figure, I have been given to understand, is 74 per cent. In Iran, it is between 10 and 12 per cent.

15. The following illustrates the extent of the reorganisation required. Of 5,800 files of merchants and companies for income received in the Iranian year 1331 (1952-53) only 25 per cent. had been completed two years later. Of these only one-fifth (of the merchants) and one-third (of the companies) had paid their taxes. The system of assessment is worth a paragraph if the problem is to be recognised in its full horror. It is known as a system of compromise and adjudication. The first assessment is prepared by the income tax authorities on such figures as they have and, where these are inadequate, on any basis of calculation that first comes into their head. Having informed the individual or company concerned of their assessment he (or it) in turn can ask to dispute the assessment before the Tax Commission. This can take weeks or months. If the recommendation of the Commission is unsatisfactory, and it usually is, for it is recognised as but one step in the necessary bazaar bargaining that has to be gone through, the claimant presents his claim and himself before the Revision Commission. This too can take weeks or months over its deliberations. The figure for merchants' assessments of the 1952-53 statistics shows that only ten per cent. accepted the "pre-notice" assessment; all others elected to go before the Commissions.

16. To sum up, for Iran to have an efficient inland revenue administration and receive appropriate revenue from direct taxation it must await the day when some of the country's finances can be put towards the reform of the civil service: the political difficulties to the necessary reduction should then not be insuperable. In the meantime the country and the Government lack either the means or the will to introduce and implement a courageous policy for the reform of the internal revenue administration, and the present reliance on indirect taxation with all its inequalities will continue to be looked to to provide the main taxation revenue.

17. I am copying this despatch to the Commercial Relations and Exports Department of the Board of Trade, to Her Majesty's Treasury, to Export Credits Guarantee Department, to Her Majesty's Ambassador at Washington and to the Middle East Development Division.

I have, &c.

R. B. STEVENS.

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EP 1015/25

No. 18

THE NEW IRANIAN GOVERNMENT

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received June 29)

(No. 74. Confidential)

Tehran,

Sir,

June 26, 1956.

In my despatch No. 66 (1014/6/56) of the 5th of June I reported on the opening of the 19th Majles, which took place on the 31st of May.

2. I now have the honour to report that on the 14th of June—the Majles having notified the Shah that they had verified the credentials of their members and elected their officers—Mr. Ala formally tendered the resignation of his Government and the Shah immediately called upon him to form a new one.

3. There are only two changes in the new Government, whose composition is given in the enclosure to this despatch. Dr. Jamal Akhavi, the Minister of Justice, has been replaced by Mr. Abbas Quli Gulsha'iyani (Personality No. 64 of 1955), and Mr. Khalil Taleqani (Personality No. 152), has been replaced as Minister of Agriculture by Mr. Mahmud Naseri, though he remains in the Government as Minister without Portfolio. Both changes had been expected. Of the new Ministers Mr. Gulsha'iyani is well-known for his part in the negotiation of the abortive Supplemental Oil Agreement of 1949, whereby he incurred the enmity of the National Front. He has been Governor-General of Azerbaijan since the end of 1954. Mr. Naseri is not well known. He is an elderly ex-Senator, said to have little political background but practical experience of farming in Khuzistan. He speaks excellent English and appears most knowledgeable.

4. Mr. Ala lost no time in presenting his new Government and their programme to the Senate and the Majles in turn. The programme naturally reflected the Speech from the Throne reported in my despatch under reference. On foreign affairs it confined itself to platitudes about the Baghdad Pact and the Government's determination to maintain friendly relations with all their neighbours. On internal affairs it called for the following:—

- (a) a balanced budget, to be achieved by means of improved tax-collection and the reduction of expenditure;
- (b) the maintenance of security and the strengthening of the armed forces;
- (c) reform of the judicial machine and the streamlining of Government agencies;
- (d) reform of the civil service;
- (e) the abrogation of laws considered unsatisfactory or out of date;
- (f) the review of legislation affecting foreign trade and of customs charges and procedures, the protection of domestic industries, and the defence of the consumer;
- (g) better housing, particularly for Government employees, co-operative housing projects and rent reform;
- (h) increased national output, support for the agricultural, industrial and mining banks, the development of oil resources and the encouragement of foreign investment;
- (i) development of the provinces, with particular reference to health, education and administrative decentralisation.

5. The Government duly received overwhelming votes of confidence in both Houses (43 votes for, 1 against, and 5 abstentions in the Senate; 110 for, 2 against, and 2 abstentions in the Majles). There were, however, more speeches against the Government than votes against them. In the Senate three speakers at least, Emami (Personality No. 40), Lesani, and Khajeh-Nuri (Personality No. 87), attacked the Government but only Khajeh-Nuri voted against them. In the Majles Qanatabadi (Personality No. 116) and Behbehani, a Deputy of Tehran and son of the A'yatullah of that name (Personality No. 30), attacked and voted against.

6. Too much should not be made of these attacks. The Senate will never seriously endanger a Government supported by the Shah, and the Majles, once

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again under the presidency of Sardar Fakher Hekmat (Personality No. 74), can be expected, for some time at any rate, to come to heel whenever the Shah cracks the whip. Nevertheless the speeches illustrated the prevailing mood of frustration and a widespread feeling that the new Government, being virtually the same as its predecessor, will talk much and do nothing. Indeed the Prime Minister's son-in-law, elected Deputy for the first time (in spite of being below the minimum age of 30) described Senator Lesani's speech to a member of my staff as most convincing.

7. The Government are almost bound to retain their "pro-British" label although Mr. Ala himself is relatively little tainted with that reputation. Although they are unlikely to be particularly effective, it is difficult to visualise a better Government in present circumstances and all too easy to visualise worse ones.

8. I am copying this despatch to Her Majesty's representatives at Ankara, Baghdad and Washington, the United Kingdom High Commissioner at Karachi, the Head of the Political Office with the Middle East Forces, and the Head of the Middle East Development Division, Beirut.

I have, &c.

R. B. STEVENS.

Enclosure

IRANIAN GOVERNMENT

List of New Cabinet (June 16, 1956)

1955

Personalities

No.

- 5 Prime Minister: H.E. Mr. Husain Ala.
- 64 Minister of Justice: H.E. Mr. Abbas Gulsha'ian.
- 41 Minister without Portfolio and Deputy Prime Minister: H.E. Mr. Abdullah Entezam.
- 60 Minister of Finance: H.E. Mr. Ghulam Husain Furuhar.
- Minister without Portfolio: H.E. Mr. Ahmad Muqbel.
- 6 Minister of Interior: H.E. Mr. Amir Asadullah Alam.
- 136 Minister of Health: H.E. Dr. Jahanshah Saleh.
- 47 Minister of P.T.T.: H.E. Eng. Amir Qasem Eshraqi.
- 152 Minister without Portfolio: H.E. Eng. Khalil Taleqani.
- 109 Minister without Portfolio: H.E. Mr. Muhammad Namazi.
- Minister of Labour: H.E. Dr. Muhsen Nasr.
- Minister of War: H.E. Major-General Ahmad Vusuq.
- 95 Minister of Education: H.E. Dr. Mahmud Mehran.
- Minister of Roads and Communications: H.E. Major-General Vali Ansari.
- 16 Minister for Foreign Affairs: H.E. Dr. Ali Quli Ardalan.
- Minister of Commerce: H.E. Mr. Ebrahim Kashani.
- Minister of Industry and Mines: H.E. Eng. Ganje'i.
- Minister of Agriculture: H.E. Mr. Mahmud Naseri.

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EP 1013/4

No. 19

IRAN: QUARTERLY POLITICAL REPORT, APRIL-JUNE 1956

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received July 9)

(No. 79. Confidential)

Tehran,

July 4, 1956.

I have the honour to submit my political report for the second quarter of 1956.

Internal

2. There was complete calm on the security front. Little was heard of the Tudeh Party, except for reports of further arrests, nor of nationalist elements.

3. The 18th Majles closed on the 15th of April. In its last days a few deputies who had lost hope of re-election to the 19th made scenes, but there was no serious attempt to obstruct legislation and, before closing, the Majles approved the two outstanding measures of importance, the budget and the Income Tax Bill.

4. On the 31st of May the Shah inaugurated the 19th Majles. As expected the new Majles, although more clearly identified with the Shah, resembled the old. The elections were rigged most thoroughly and were conducted in an atmosphere of cynical apathy. A number of oppositionists, including Ha'erizadeh, and some Zahedi supporters were kept out, but others, including Qanatabadi, were readmitted.

5. When the Majles had examined the credentials of its members and elected its officers, Sardar Fakher Hekmat being re-elected President, Mr. Ala tendered his formal resignation and the Shah immediately called on him to form a new Government. This contained only two changes, both expected. Mr. Abbas Quli Gulsha'ian replaced Dr. Akhavi as Minister of Justice, and Mr. Mahmud Naseri replaced Mr. Taleqani as Minister of Agriculture, the latter remaining in the Government as Minister without Portfolio. Both the new Ministers are men of ability. The Government could again be described as sound on paper but unlikely, lacking firm direction, to be particularly effective.

6. Mr. Ala promptly presented his new Government and its programme to Parliament. The programme consisted of a string of generalities covering economic, social and administrative development and reform. The Government duly received overwhelming votes of confidence, only one Senator and two Deputies voting against it: but in both Houses there were more speeches strongly critical of the Government and its programme than votes against it. This reflected a mood of frustration and suspicion that, once again, the Government promised much more than it would or could perform; local Press comment, much of it lukewarm and some openly critical, also reflected this mood.

7. The speeches showed once again that no Government in Iran can rely on the loyalty of Parliament, however carefully selected. Nevertheless, the Government had no need to fear dangerous opposition so long as the Shah continued to support Mr. Ala. The appointment in June of Dr. Manuchehr Eqbal to be Minister of Court, a post left vacant since Mr. Ala became Prime Minister 15 months ago, gave rise to rumours that he was being groomed as Mr. Ala's successor, but there was no sign of any early change; moreover, while Dr. Eqbal is generally regarded as the most likely contender, the Shah may well in the end decide against him on the grounds that he is too strong a personality.

8. A conference of Governors-General was held in Tehran in June under the chairmanship of the Minister of the Interior to discuss provincial development. This conference, the first of its kind, was an encouraging sign of increasing interest in the provinces which have been neglected for so long. Also promising was the apparent success of the Government's ban on opium-poppy growing, reflected in an increase in the black-market price of opium. But the Government had yet to show that they could maintain the ban and get cultivators to produce satisfactory alternative crops.

9. There were reports that Princess Shahnaz, the Shah's only child, would shortly become engaged to General Zahedi's son Ardeshir; but no marriage is likely to take place for some time. The problem of the succession remained as obscure as ever.

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Economic and Financial

10. The Seven year Plan Organisation was much criticised for failing to show results, the Karaj dam project near Tehran and the John Mowlem road-building programme (see paragraph 20 below) being particular targets. The Shah himself seemed displeased with the plan's progress and showed an unfortunate tendency to toy with over-ambitious schemes of his own.

11. It was a comparatively lean time from the point of view of foreign aid. The International Monetary Fund approved a credit of \$17 million to the plan in May. The President of the World Bank came to Tehran in June to discuss the possibility of a standby credit with the plan authorities. He made it clear that any credit would have to be on his terms, which included a satisfactory collateral as security, a streamlining of the programme itself and control over future borrowing.

Oil

12. No major disagreement arose between the Consortium and the Iranian authorities, and production of crude and refined products showed steady progress. However, the basic problems, notably surplus labour and the transfer of "non-basic" activities to the National Iranian Oil Company, remained unsolved. Resentment was aroused in Khuzistan by the Consortium's efforts to put the industry on a more businesslike footing and to abolish, or to make self-supporting, perquisites (such as housing, transport, lighting, ice and telephones) which many people not even directly connected with the oil industry have come to look upon as a right.

13. There was much talk of exploiting oil resources outside the area of the Consortium agreement, both in the continental shelf and elsewhere in Iran. The initiative seemed to come from the Shah and a certain Mr. Mehbud toured Europe and the United States as his unofficial emissary endeavouring to interest major and minor oil companies. Two disquieting features were that Mehbud's tour was undertaken without proper consultation with the National Iranian Oil Company and a tendency to toy with the idea of improving on the 50-50 principle. By the end of the quarter, however, it looked as though the latter at least had been scotched.

Foreign Affairs and Defence

14. The second meeting of the Council of the Baghdad Pact was held in Tehran from the 16th to the 19th of April. Iran, Iraq, Pakistan and Turkey were represented by their Prime Ministers, the United Kingdom by the Minister of Defence, and the United States by Mr. Loy Henderson as observer. The Economic, Counter-subversion and Liaison Committees met in Tehran before and the Military Committee concurrently with the Council.

15. Fears that the conference would be a failure proved unfounded. Its success was ensured by the decision of the United States Government to join the Economic and the Counter-subversion Committees (the rules governing the latter were changed to permit the United States to join without adhering to the pact itself), to attach a liaison mission to the Military Committee, and to contribute men and money to the Secretariat. Although the Eastern members continued to press for full United States membership they were clearly pleased with the partial success achieved.

16. Even without this the conference could not have been described as a failure. Spectacular results had never been expected and there was remarkable identity of views on major political questions. Any disappointment at the meagreness of our offer of £250,000 for technical assistance over five years was courteously concealed but, working out at £12,500 per annum per Eastern member, it could hardly be expected to impress. The administrative arrangements made by the Iranian authorities proved surprisingly efficient, and a credit to them in view of their inexperience. The meeting undoubtedly enhanced the prestige of the Iranian Government and helped to allay Iranian misgivings about the pact.

17. These were not, however, entirely dispelled and the Shah's visit to the Soviet Union (he left on the 25th of June, the first reigning monarch to be invited to stay in the Kremlin since the Revolution) gave rise to much speculation about future Soviet policy. A "mellowing" in Soviet tactics towards Iran was noticeable and widely commented on. Soviet broadcasts in Persian, while continuing to

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attack the pact, refrained from direct criticism of Iran and emphasised, often in fulsome terms, the importance of friendly relations and, particularly, of increased trade (though the Soviet Government continued to stall on trade talks); there were no further notes about Iran's adherence to the Baghdad Pact nor about the expulsion of a Soviet Assistant Military Attaché for espionage in March; cultural exchanges increased; in June an official communiqué announced that the critical phase of the demarcation of the Soviet-Iranian frontier under the 1954 Agreement had been completed in a spirit of goodwill and an agreed frontier charted, the Iranian Press emphasising that both sides had had to make concessions; there was not even an audible protest when, in June, the Iranian gendarmerie occupied the Soviet oil installations at Khurian, near Semnan, which were apparently looked after on a care-and-maintenance basis by two Soviet citizens and a handful of local employees; however dead the Soviet oil concession, it is difficult to visualise the Iranian Government taking such a step a few months back without a public Soviet protest.

18. The Shah was well aware that the new tactics might well prove more dangerous than the old. At all times, notably in May during his visit to Turkey where he made a very favourable impression, he privately expressed his determination to avoid entanglements or embarrassing commitments. He feared, however, that with Iran still critically short of money and likely to remain so for some years, and in the absence of substantial Western aid, he might find it difficult to refuse a Soviet offer of aid unless the strings attached were clearly visible. For these reasons he took no member of the Government with him to Moscow except the Minister of Commerce, hoping to return with a straightforward offer of increased "trade, not aid".

19. Our relations with Iran were somewhat checkered. Officially they remained close and cordial, and in June the Iranian Government agreed to negotiate a new treaty of commerce and navigation after we had presented them with a draft. The help which we were able to give during the council meeting was genuinely appreciated as was the tactful and unobtrusive support and advice given by our delegates.

20. On the debit side, Mowlems came in for much criticism for their failure to produce roads (while the spectacular progress of Costain John Brown on the Ahwaz-Azna section of the oil pipe-line to Tehran went virtually unnoticed). Criticism of Mowlems was usually quite unjustified but unfortunately both the Plan Organisation and the firm were slow to appreciate the importance, in a country so used to development schemes which never develop, of producing even a short stretch of road immediately for propaganda purposes.

21. Bahrain remained well to the fore and the Press waged a campaign of unusual intensity. At first they appear to have been encouraged tacitly by the Iranian Government, ever fearful of being accused of letting their case go by default. Not for the first time the Government soon found the campaign getting out of hand. There were demands that Bahrain should be raised at the Council meeting—the last thing the Iranian Government wanted—and one or two newspapers even urged the despatch of Iranian forces to the island. Thoroughly embarrassed, the Government belatedly endeavoured to stifle controversy, but rumblings persisted throughout the period and the Foreign Minister felt obliged to state from time to time, in reply to Press enquiries, that the Government were "actively pursuing" their claim.

22. In June the Reuters and *Times* correspondent, about to be transferred to Moscow by Reuters and no longer worried about Iranian susceptibilities, wrote a series of articles more or less critical of, and not always fair or entirely accurate on, the Iranian scene. These were published in *The Times* and aroused widespread resentment leading to official complaints.

23. Relations with the United States improved. The tapering off of aid was offset, if only temporarily, by the closer association of the United States with the Baghdad Pact which led the Iranians to hope that increased aid would be forthcoming. However, there was a feeling that the Western Powers were failing to differentiate between ally and neutral—or even foe. A case in point which irritated the Iranian Government was the refusal of the United States and ourselves to support Iranian attempts in the United Nations Narcotics Commission to prevent the grant of an opium-exporting licence to Afghanistan. Relations with

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Afghanistan remained bad and little or no progress was reported in the Helmand River talks in Washington.

24. I am sending copies of this despatch to Her Majesty's Representatives at Washington, Ankara and Baghdad, to the United Kingdom High Commissioner at Karachi, the Head of the Political Office, Middle East Forces, the Head of the Middle East Development Division, Beirut, and the Commander-in-Chief, East Indies.

I have, &c.

R. B. STEVENS.

EP 10338/38

No. 20

THE SHAH'S VISIT TO MOSCOW

Sir William Hayter to Mr. Selwyn Lloyd. (Received July 24)

(No. 163. Confidential) *Moscow,*
Sir, *July 17, 1956.*

I have the honour to inform you that the Shah of Iran, accompanied by Queen Soraya, paid an official visit to the Soviet Union at the collective invitation of the Presidium of the Supreme Soviet and the personal invitation of its Chairman, M. Voroshilov, from the 25th of June to the 12th of July. His entourage included his Minister of Trade and Senator Mahommed Saed, a former Prime Minister and Ambassador in Moscow, both of whom speak fluent Russian.

2. The Shah had the distinction of being the first reigning monarch to be entertained by the Soviet Government since the visit of King Amanullah of Afghanistan in the 'twenties. It was no doubt in recognition of this fact that the Soviet Government accorded him the unique honour of being accommodated in the Kremlin, where special apartments were fitted up for him in a wing of the former Imperial Palace (King Amanullah when here stayed in the building which now houses Her Majesty's Embassy). Otherwise, and apart from the fact that the public functions in his honour were attended with slightly more pomp than is customary here, the arrangements made for this visit conformed to an already familiar pattern. The Shah was met and seen off at Moscow Airport by a large gathering of Soviet Ministers, officials and senior officers of the armed forces, headed by Voroshilov, Bulganin and other members of the Presidium. In the course of his first few days in Moscow he was entertained at official luncheons by Voroshilov and Bulganin, and attended a gala performance at the Bolshoi Theatre and a reception given in his honour at the Iranian Embassy. The rest of the time was spent sightseeing. On the 28th of June the Shah left Moscow for a tour of the provinces. This took him first to Stalingrad and Tashkent and then, via Ashkhabad and Sukhumi, to Sochi. The Soviet press claimed that the Shah was so pleased by Sochi that he asked to stay there longer than had originally been planned, but I understand that the real reason for the prolongation of his stay was that the

Queen was exhausted by so much air travel. They remained in fact for three days and then travelled via Zaporozhe to Kiev. A visit to Leningrad completed the tour and the Shah returned to Moscow on the 9th of July. On the 10th of July a reception was given in his honour by Voroshilov in the Kremlin.

3. The Shah had talks at the beginning of his visit with Voroshilov and Bulganin separately and with Voroshilov, Bulganin, Khrushchev and Mikoyan together. On this last occasion he was accompanied by Mr. Kashani, his Minister of Trade, and Senator Mahommed Saed. After his return to Moscow the Shah had a final meeting with Voroshilov, Bulganin, Khrushchev and Shepilov, the Soviet Foreign Minister, who had by then returned from his tour of the Middle East. The Shah was again supported on this occasion by his Minister of Trade and Senator Saed.

4. I have already communicated in my telegrams Nos. 902 and 959 such information as I was able to glean about these conversations. They apparently followed expected lines. According to the Shah's account, the Soviet leaders strongly attacked the Bagdad Pact, while he defended it as a purely defensive organisation. With regard to the establishment of foreign bases on Iranian soil, the Shah told the Soviet Government that they would have to be content with his personal assurance that Iran would never be used as a springboard for aggression against the Soviet Union. Senator Saed said to me later with a twinkle: "I think we have convinced them that we do not intend to invade them." The Iranian Minister of Trade told me at the end of the visit that commercial negotiations between the two countries would shortly begin but that no particularly attractive economic offers had so far been made. There was no joint communiqué, the Shah having taken the line that it would be inappropriate for him as the Head of the State to agree a document of this kind with the Soviet Government.

5. There can be little doubt that this visit represents a personal success for the Shah.

I see no reason to question the sincerity of the Soviet leaders' expressions of admiration for his personality and capabilities to which I referred in my telegram No. 959. Not only does he appear to have stood up very well to the Soviet leaders in private but from all I saw and heard he bore himself in public with confidence and dignity. He seems to have avoided as far as possible making public pronouncements, and the few he did make were admirably brief. I enclose translations⁽¹⁾ of the Soviet press reports of the Shah's arrival in and departure from Moscow and of the Kremlin reception of the 10th of July which give his three principal speeches verbatim. The tone of these speeches was friendly, as befitted a guest addressing his hosts, but they add up to a laudably firm statement of Iran's foreign policy position.

6. Until Her Majesty's Ambassador in Iran has had an opportunity of hearing from the Shah his impressions and a more detailed account of what passed between himself and the Soviet leaders, it would be premature to attempt anything like a final assessment of the significance of this visit.

EP 10338/36

Tehran to Foreign Office telegram No. 21 Saving of July 18, 1956

Repeated for information Saving to Moscow, Ankara, Bagdad, Karachi, Washington.

The Shah has returned from the Soviet Union in fine fettle. He has been told by his companions on the journey that he put up a splendid show and by the Swedish Ambassador in Moscow that he impressed the Soviet leaders. When I saw him yesterday morning he said, with suitable modesty, that he thought the visit had been a success and that it had certainly been interesting. He seemed particularly pleased that the Americans, who through their Ambassador here had expressed some anxiety about what might happen during the visit, had been proved wrong.

2. In the course of an account of the visit which in general conformed to that given in Moscow telegrams Nos. 902 and 959 he

From the information at present available I see no reason for Her Majesty's Government to feel anything but satisfaction at its outcome. Apparently the Shah has given nothing away and has stated robustly to the Soviet leaders the point of view of the Middle East members of the Bagdad Pact. It does not, however, necessarily follow that the Soviet leaders are disappointed. I think it unlikely that they hoped for any immediate concrete results from the visit. Their main purpose was no doubt to influence the Shah's future policy by demonstrating to him their own reasonableness and the peacefulness of their intentions and by impressing upon him the strength and technical achievements of the Soviet Union. It remains to be seen what success they have had in this direction.

7. I am sending copies of this despatch to Her Majesty's Representatives at Tehran, Washington, Bagdad and Ankara and to the United Kingdom High Commissioner at Karachi.

I have, &c.

W. G. HAYTER.

made the following additional points of interest:—

(i) The Soviet leaders frankly admitted past mistakes (attributed to Stalin) in their policy towards Iran. They appeared genuinely anxious to turn over a new leaf. When challenged on particular points they implied that the fault and the responsibility lay with their Ambassador, M. Lavrentiev; and at the conclusion of the tour they told the Shah that he would be replaced, thus reinforcing the new look.

(ii) He asked the Russians why if they wanted friendly relations with Iran they still engaged in subversive activities. He referred to the existence of a recently discovered plot to assassinate Iranian leaders.

⁽¹⁾ Not printed.

Did he really think, they asked, that they would do such things when he was honouring them with a visit? He retorted that plans provided for the elimination of the characters concerned in two months' time. They then implied that it was a United States invention and changed the subject.

(iii) They said that they were anxious to establish closer and friendly relations not only with Iran but also with Turkey. The Turks, however, were being very recalcitrant. Would the Shah care to serve as an intermediary? He by-passed this request.

(iv) Talk about the Bagdad Pact followed the expected lines. They made out that Sir Anthony Eden had told them, when in London, that it was purely economic in character. The Shah said this was not so, it was military but exclusively defensive. On the establishment of foreign bases in Iran in peacetime he said that they must take his word for it that Iran would not be used as a springboard for aggression against the Soviet Union. If this did not satisfy them they had better make specific proposals to his Foreign Minister. Then they quickly withdrew.

(v) They gave him a detailed account of what they were doing by way of economic aid to other countries, notably India, Burma and Afghanistan. They said that they were also willing to help Iran but made no

specific suggestion except the joint development of water resources for power and irrigation in the frontier areas (Araxes river in Azerbaijan and various rivers in the extreme north-east near Sarakhs). The Shah agreed to this in principle and suggested that it should be followed up at the technical level. For the rest he told them that they had better talk to Mr. Ebtehaj of the Seven-Year Plan Organisation. (In conversation with me he said he thought any further initiative would have to come from the Iranians. Whether or not they took it up would depend upon the help they received from the West.)

(vi) Instead of a joint communiqué they agreed on speeches at the final banquet. The Russian leaders played into his hands by sending him an advance text which made a reference to military alliances. This gave him the cue for his remark about Iranian policy being based on past experiences. His speech was not shown to the Soviet leaders in advance. He appears right, therefore, in thinking that the incident was something of a tactical triumph.

3. The Shah gave no sign of having been awed or fooled by the Soviet leaders at any point. He was impressed by economic progress and industrial development but has certainly not fallen under any psychological or similar spell. His natural inclination to mistrust everything and everybody and when in doubt the Russians most of all, has been and should remain a useful asset.

EP 1701/2

No. 21

THE IRANIAN FLOOD DISASTER

(1)

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received July 26)(No. 599. Confidential)
(Telegraphic)Tehran,
July 26, 1956.

Your telegram No. 702: Iranian Floods.

Investigation, which I initiated yesterday, suggests that destruction is widespread and serious. Deaths of between 150 and 200 are much less than in 1954; but economic effects, particularly to crops, irrigation channels, houses and communications, are considered much graver and provisionally estimated at about £5 million. Areas mainly affected are Isfahan, Kashan, Yazd, Kerman and Zahedan.

EP 1701/3

(2)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 711. Confidential)
(Telegraphic)Foreign Office,
July 30, 1956.

Your telegram No. 599.

You should convey the following message to the Iranian Prime Minister or Minister for Foreign Affairs:—

"Her Majesty's Government have received with sorrow the news of the floods in Iran which have caused serious loss of life and economic distress. They offer to the Iranian Government and people their sincere sympathy and that of the people of the United Kingdom".

EP 1701/12

(3)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 801. Confidential)
(Telegraphic)Foreign Office,
August 17, 1956.

Your telegram No. 624: Flood relief.

Please inform the Iranian Government that Her Majesty's Government wish to give concrete expression to their sympathy (my telegram No. 711) [of July 30], and enquire what is most needed.

2. You should endeavour to ensure that the Iranian Government confine their request to contributions in kind. We are reluctant to make the whole or part of our contribution in cash but would be prepared to do so if you regard it as essential. The limit of our total contribution is £5,000.

EP 1701/18

(4)

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received September 21)(No. 98. Confidential)
Sir,Tehran,
September 15, 1956.

With reference to your telegram No. 841 of September 1 and earlier correspondence about Iranian Flood Relief, I have the honour to report that

SECRET—GUARD

I handed a cheque for 1,050,000 rials to Mr. Taleghani, Minister without Portfolio and Director of Flood Relief on September 8. I explained to him, as I had already done to other members of the Iranian Government, the difficulties in the way of supplying relief in kind. Mr. Taleghani expressed great appreciation of Her Majesty's Government's monetary contribution and I have now received an acknowledgment, with an expression of thanks, from the Iranian Red Lion and Sun organisation to whom the contribution was passed.

2. I am glad to say that the Iranian Government has also expressed itself graciously in acknowledging the British Community contribution (my telegram No. 680 of August 25). I enclose for your information a copy of a letter⁽¹⁾ dated September 1 which I have received from the Prime Minister in this connexion.

I have, &c.

R. B. STEVENS.

⁽¹⁾ Not printed.

SECRET—GUARD

EP 1303/10

No. 22

SETTLEMENT OF IRANIAN CLAIM IN RESPECT OF A QUANTITY OF SUGAR REQUISITIONED IN 1951

(1)

Her Majesty's Principal Secretary of State for Foreign Affairs presents his compliments to His Excellency the Iranian Ambassador and has the honour to refer to the claim of the Imperial Iranian Government on account of a quantity of sugar which was requisitioned on the 15th of September, 1951. In order to secure a solution of this long outstanding problem, and in the interests of strengthening the friendly ties between Iran and the United Kingdom, Her Majesty's Government are prepared to offer the round sum of £200,000 in full and final settlement of any and all Iranian claims in respect of the requisitioning in question.

If the Imperial Iranian Government are prepared to accept this settlement, Her Majesty's Government will be glad to learn to whom they would wish the payment to be made.

*Foreign Office, S.W. 1,
September 10, 1956.*

EP 1303/12

(2)

(Received September 19)

Ambassador Imperiale de l'Iran

(No. 1520)

The Iranian Ambassador presents his compliments to Her Majesty's Principal Secretary of State for Foreign Affairs and in answer to His Excellency's Note No. EP 1303/10 dated 10th September, 1956, has the honour to inform him that the Imperial Iranian Government accept the sum of £200,000 offered by Her Majesty's Government in full and final settlement of their claim on account of a quantity of sugar which was requisitioned on the 15th September, 1951.

The Imperial Iranian Government would like the amount in question to be paid into the Midland Bank, Overseas Branch, for the account of Bank Melli, Iran.

London, 18th September, 1956.

EP 1303/12

(3)

Her Majesty's Principal Secretary of State for Foreign Affairs presents his compliments to His Excellency the Iranian Ambassador, and with reference to His Excellency's Note No. 1520 of the 18th of September has the honour to inform him that the sum of £200,000 has been paid into the Midland Bank, Overseas Branch, for the account of the Bank Melli, Iran.

September 20, 1956.

SECRET—GUARD

EP 11338/2

No. 23

IRANIAN-SOVIET TRADE PROTOCOL OF SEPTEMBER 6, 1956

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received September 17)

(No. 96 E. Confidential)

Sir,

*Tehran,**September 12, 1956.*

With reference to my despatch No. 57 E. of the 19th of May, 1955, I have the honour to enclose the text⁽¹⁾ of a recently signed Protocol concerning the goods which are to be exchanged between Iran and Soviet Russia during the Iranian year ending on the 31st of March, 1957.

2. Negotiations for this agreement, which had been going on desultorily since last May, were brought to a rapid conclusion by the arrival a fortnight ago of the new Soviet trade representative who, according to the Iranians, has been showing himself much more flexible than his predecessor. Although no publicity has been given to the fact, the total volume of trade provided for in the Protocol is slightly smaller than last year. Goods to be exchanged are much the same as last year. Russian exports of sugar, cotton piece goods, cement and pharmaceuticals are to be decreased, but Russian exports of newsprint, railway sleepers, agricultural machinery, motor vehicles and miscellaneous manufactures are to be increased. Iran, for her part, will sell less rice and cotton than last year, but more wool. As in the past, the Protocol does not constitute an obligation to buy or sell the amounts stipulated, but an undertaking to provide the necessary import or export licences if the demand materialises.

3. A year ago the Iranians were greatly concerned at what they considered as Soviet dumping of cotton textiles. Since then the threat to the Iranian economy which these exports seem to carry with them has greatly lessened. During the year ending March 1956, for example, Soviet exports of cotton textiles only amounted to 35 million metres instead of the 55 million metres provided for in last year's agreement. This has been due partly to the higher Customs duties introduced by the Iranian Government and partly to the reluctance of Iranian merchants to buy from Russia. This reluctance was in turn due to the fact that, in their anxiety to sell as much as possible, the Russians were constantly under-quoting themselves, with the result that a merchant who had bought cotton textiles some months previously might find himself involved in heavy losses because the Russians had subsequently sold the same goods more cheaply to a competitor. In order to protect themselves against a recurrence of these events, Iranian merchants have formed a consortium which handles all purchases from the USSR and also regulates the flow of cotton textiles to the bazaar. As an added safeguard, the Iranian Government tried again this year to reduce the quota for Soviet textiles. They met with some success but far less than they had hoped.

4. The only other item of importance in these negotiations seems to have been the interest which the Russians showed in the facilities for the transit of Soviet goods which are written into the Soviet Iranian Trade Agreement of 1940 (which governs the application of the Protocol which has just been signed) but which have so far remained a dead letter. No definite proposals seem to have been made, but more may be heard of this idea as time goes on.

5. During the past year little progress has been made with the spending of the \$8 million credit which the USSR undertook to provide in settlement of wartime debts to Iran. \$1.5 million of this credit was used for purchases of wheat and railway sleepers and in the spring the Russians pressed the Iranian Government to use this money to purchase agricultural machinery and contractors' plant. This proposal, however, was turned down by the Iranian Government. It now looks as though as part of its policy of good neighbourliness the Soviet Government may agree to supply sugar under this credit. The sugar, which is being made available under the Protocol which has just been signed, will probably be shipped in the autumn and any sugar which is supplied under the \$8 million credit will probably be shipped in the first six months of 1957.

⁽¹⁾ Not printed.

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6. In short, trade between Iran and Russia is continuing on the same pattern as in the past. This trade, though useful to Iran, is still not of any great significance economically. After growing during the last two or three years it seems to be levelling off, but it is likely that the more flexible approach which is being shown by the Soviet trade delegation to Iran will result in a resumption of the upward trend.

7. I am sending a copy of this despatch to Her Majesty's Ambassador, Moscow, and to the Commercial Relations and Exports Department of the Board of Trade (without enclosure).

I have, &c.

ROGER STEVENS.

SECRET—GUARD

EP 1084/8

No. 24

IRANIAN SEIZURE OF FARSI ISLAND

(1)

Sir Bernard Burrows to Mr. Selwyn Lloyd. (Received September 25)

(No. 849. Confidential)
(Telegraphic)

Bahrain,
September 25, 1956.

My telegram No. 847: Iranian Claim to Gulf Islands.

H.M.S. *Loch Fyne* arrived at Farsi at first light to-day and found the *Palang* arriving at the same moment. *Loch Fyne* continued past the island and is waiting in the offing. The *Palang* has anchored. I am recommending to Senior Naval Officer Persian Gulf that *Loch Fyne* should remain in the offing until the *Palang* has left and then land and see what evidence of Iranian claims may have been left on the island and report. It may not be convenient, however, for *Loch Fyne* to wait if the *Palang's* stay is prolonged.

2. Meanwhile, you will no doubt wish to make it clear to the Iranian Government that we claim the island on behalf of Kuwait and do not accept any claims of theirs. Question also arises whether it would be wise to say anything to the Saudi Arabian Government, e.g., on the lines that while we have felt it necessary to represent Kuwait's claim *vis-à-vis* the Iranians, we realise that the status of the island remains to be settled as between Kuwait and Saudi Arabia and that we have every hope of doing this amicably on the lines previously discussed with the Saudi Arabian Government.

EP 1084/9

(2)

Sir Bernard Burrows to Mr. Selwyn Lloyd. (Received September 25)

(No. 852. Confidential)
(Telegraphic)

Bahrain,
September 25, 1956.

My telegram No. 849: Iranian Claim to Farsi.

After departure of Iranian ship, *Loch Fyne* found Iranian flag flying and a garrison ashore which was said to have been there for four months. Details are in ships signals repeated to Admiralty.

2. I should be surprised if the Iranians have been there so long. We shall be able to get evidence on this on return to Bahrain in a few days of the Persian Gulf lighting service ship *Relume*, which visited Farsi about two months ago.

EP 1084/9

(3)

Sir Bernard Burrows to Mr. Selwyn Lloyd. (Received September 28)

(No. 866. Confidential)
(Telegraphic)

Bahrain,
September 28, 1956.

My telegram No. 852: Iranian Claim to Gulf Islands.

The Captain of the *Relume* reports that when he last visited Farsi on June 10 there were no Iranians there.

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EP 1084/9

(4)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 943. Confidential)
(Telegraphic)*Foreign Office,
September 30, 1956.*

Bahrain telegram No. 852 [of September 25: Iranian Claim to Gulf Islands].

For your own information, I want firmly to maintain Kuwait's right; at the same time I do not want the incident to be played up at this time when our relations with Iran are good and their support important to us.

2. Therefore you should address a Note to the Iranian Government stating that Her Majesty's Government regard the island as part of the territories of the Ruler of Kuwait and recognise no Iranian claim. You should request that the garrison should be withdrawn, and all evidence of its having been there removed.

3. Orally you should say that I regret that the Iranian Government has seen fit to take this initiative despite the clear warning given in the interview reported in your telegram No. 722 [of September 8], and that I trust that all necessary steps will be taken to avert further plain speaking on this subject between allies. You may remind the Iranian Government also of the clear expression of Her Majesty's Government's views on this subject in March 1949 (Tehran despatch No. 97 of March 16, 1949).

4. I do not consider it necessary to communicate with the Saudi Arabian Government, although the matter will be reconsidered if the news of this incident and our action becomes public and if the Saudis question our attitude. The Political Agent in Kuwait may at his discretion inform the Ruler that we have asserted his claim to the island as soon as our approach has been made in Tehran.

EP 1084/13

(5)

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received October 6)(No. 780. Confidential)
(Telegraphic)*Tehran,
October 6, 1956.*

Your telegram No. 943: Iranian Claim to Gulf Islands.

Owing to two days' holiday I was only able to make representations to Minister for Foreign Affairs to-day. I spoke as instructed and left with him a Note stressing Kuwait's claim and quoting text given in your telegram No. 954 (1949 despatch) (text by bag).

2. Dr. Ardalan said that Note would be studied but he held out little hope that the garrison would be withdrawn. He questioned validity of Sheikh of Kuwait's claim and asked for details of its legal basis. Iran's motives were he said twofold. Firstly, they were concerned in the long term about their position in the Persian Gulf. If British protection over Gulf Sheikdoms were eventually to be withdrawn not only the entire coast but also the adjacent islands would fall under the domination of Saudi Arabia. This would be a threat to Iran's security in the Gulf and to freedom of navigation. Secondly, there was the question of the continental shelf. If the Ruler of Kuwait claimed Farsi it would cut into the area based on the median line which Iran could rightfully exploit. I left Dr. Ardalan in no doubt that though we attach much importance to good relations with Iran and [grp. undec.] Iranian security, I did not consider that Iran's best interests were served by Iranian unilateral action. I strongly urged that while the Iranian landing on Farsi was still not publicly known the sensible course was to withdraw quietly.

SECRET—GUARD

EP 1084/19

(6)

Enclosure to Tehran P/L No. 109. (Received October 12)

*Tehran,
October 5, 1956.*

Your Excellency,

I have the honour to state that I have been informed that the Imperial Iranian Government has landed a party of men on the island of Farsi in the Persian Gulf.

I have to state, upon the instructions of Her Majesty's Principal Secretary of State for Foreign Affairs, that Her Britannic Majesty's Government regard the island of Farsi as forming part of the territories of the Ruler of Kuwait and know that the Ruler of Kuwait attaches much importance to his sovereignty over this island. Her Majesty's Government cannot recognise any Iranian claim to the island and are not aware that any such claim has ever been seriously advanced. I have therefore to request you to arrange for the Iranian party on Farsi to be withdrawn and for all evidence of its stay to be removed.

In this connexion I would remind you that on the 12th of March, 1949, His Majesty's Ambassador left with the Minister for Foreign Affairs of the Imperial Iranian Government a Note recording a protest which he had made about a previous Iranian landing on the island of Farsi. For ease of reference I quote the following extract from that Note:—

"A brass plate, bearing the words 'Iranian Territory' has been found recently on the island of Farsi when the navigation light was being serviced, together with an inscription which preserved the record of the names of certain individuals who carried out the work. His Majesty's Government consider that this island belongs to the Sheikh of Kuwait. In the past, in consonance with these views, various actions have been performed such as the establishment of a beacon in 1914 and of a navigation light in 1947 and no protest has been made by the Imperial Government. Indeed, so far as His Majesty's Government are aware, no claim to the island has ever been advanced by the Imperial Government. His Majesty's Government presume, therefore, that the erection of the plate, as the recording of the names appears to show, was the act of private individuals. In the circumstances His Majesty's Government propose to remove the plate. They are, however, first informing the Imperial Government in accordance with the spirit of friendly co-operation which characterises the relations between the two countries."

I avail myself of this opportunity of renewing to your Excellency the assurance of my highest consideration.

(Signed) R. B. STEVENS.

His Excellency Dr. Ali Quli Ardalan,
Imperial Iranian Minister for Foreign Affairs,
Tehran.

EP 1084/17

(7)

Sir Bernard Burrows to Mr. Selwyn Lloyd. (Received October 10)(No. 897. Confidential)
(Telegraphic)*Bahrain,
October 10, 1956.*

Your telegram No. 1047: Iranian Claim to Islands.

2. s.s. *Relume* of Persian Gulf Lighting Service went to Farsi on October 10 for routine servicing of the light. The Iranian Commander said they could not land until he had referred to Iranian authorities. After some delay he asked for *Relume's* help in repairing his radio set so that he could make enquiries. Having done so he obtained a favourable reply immediately and the *Relume* was able to service the light as required.

3. It should perhaps be made clear to the Iranian authorities that acceptance of Iranian permission to land for this purpose is without prejudice to sovereignty.

SECRET—GUARD

EP 1084/17

(8)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 1010. Confidential)
(Telegraphic)*Foreign Office,
October 19, 1956.*

Your telegram No. 780 (of October 6: Iranian Claim to Gulf Islands) and Bahrain telegram No. 897 (of October 10).

You should address a Note to the Iranian Government in continuation of your Note No. 1085/28/56 of October 5, making it clear that the *Relume's* action does not constitute recognition of any Iranian right to grant or withhold permission to land on Farsi, and was without prejudice to the question of sovereignty over the island. You should point out that the *Relume* was engaged on her normal peaceful mission connected with the safety of life in the Persian Gulf. Her Commander acted with only his immediate task in mind and without any thought of the position in International Law. We hope that the Iranian authorities are not going to claim in future that the Persian Gulf Light Service require their permission to carry out their work on Farsi.

2. You should add orally that Her Majesty's Government are obliged to reject both the "motives" for the Iranian landing on Farsi (paragraph 2 of your telegram under reference). In particular you should make it clear that there can be no question of British protection being withdrawn from the Sheikdoms of the Persian Gulf. You should add that Her Majesty's Government would take a very serious view of any further seizure, and that they reserve full liberty of action both as regards the Iranian occupation of Farsi and in relation to any future Iranian landings on islands which Her Majesty's Government consider to be under the sovereignty of States enjoying their protection.

3. As regards the second "motive", you should point out that any advantage which might be conferred on Iran in negotiations over the division of the bed of the Persian Gulf by the existence of an Iranian claim to Farsi, even though that claim is not admitted by other interested Governments, would not be strengthened by the establishment of a small garrison on the island.

4. You may at your discretion remind Iranian Government of their action in 1949 in seeking Her Majesty's Government's views on the ownership of various islands in the Persian Gulf before taking any action (Tehran despatch No. 97 of 1949), and suggest that it would be in accordance with the ties of friendship and alliance which unite our two countries if they were to handle any further issues of this kind in a similar manner.

EP 1084/27

(9)

Enclosure to Tehran P/L No. 115. (Received October 26)

*Imperial Iranian Ministry of Foreign Affairs to Her Majesty's Ambassador,
British Embassy, Tehran*

No. J/5849

24/7/1335 (16/10/1956)

Your Excellency,

In acknowledging receipt of Note No. 1085/28/56 of October 5, 1956, in connexion with the settlement of Iranian individuals on the island of Farsi in the Persian Gulf I have the honour to state as follows:—

The Imperial Iranian Government were greatly astonished to see the contents of this Note and I deem it necessary to call your Excellency's attention to the following points:—

The Imperial Iranian Government consider the island of Farsi as part of their territory and have proprietary rights over it. This is based on historical rights and the observance of Iranian sovereignty over this island both as regards past and present. In this connexion I venture to give the following explanations.

SECRET—GUARD

The island of Farsi has been a base for Iranian fishermen. Iranian fishermen have been and are regularly visiting this island every year from Iranian islands and coasts and have stayed and will stay in the island during seasons when the climate and water supply would permit. These fishermen have always been protected by the Iranian Government in the island of Khark. The Iranian Naval Forces are also visiting the island regularly as it has been, in principle, uninhabited and special signals were erected there by the Imperial Government. Action had also been taken in the past to settle Iranians there and, if the climate of the island had permitted and their means of livelihood had been thoroughly provided, permanent settlement would have been achieved. Considering the fact that the island of Farsi has been uninhabited in principle, all these actions are part of the positive and undeniable evidence of Iranian sovereignty over the island.

In reply to the point raised that Her Majesty's Government are not aware that any claim has ever been seriously advanced by the Iranian Government I necessarily point out that the Iranian Government's sovereignty right over the island of Farsi is a legal actuality and no action whatever has been taken in connexion with the island of Farsi which would dispossess a Government of their right of ownership in respect of a part of their territory in accordance with international legal rulings.

If the Shaikh of Kuwait has any claim to this island it is up to him, therefore, to produce historical and legal proofs concerning legal deprivation of Iranian sovereignty. With reference made to the fact that His Majesty's Ambassador left a Note with the Minister for Foreign Affairs of the Imperial Government on March 12, 1949, I wish to call your Excellency's attention to the Iranian Government's two official Notes No. 419 of Farvardin 22, 1328 (April 11, 1949) and No. 1794 of Khordad 22, 1328 (June 12, 1949) and to state that His Majesty's Government were then also officially informed that no evidence contrary to the right of Iranian ownership of the island of Farsi had been produced. The establishment of a navigation light which was for the guidance of vessels going to and from the Iranian coasts cannot be independently the origin of any legal consequence as regards impairing Iranian ownership of the island of Farsi.

In the circumstances, as the Iranian Government:—

- (1) have the right of ownership to the island of Farsi;
- (2) have taken the necessary measures demonstrating their sovereignty, in accordance with the local situation in the island of Farsi;
- (3) because Iranian national rights over this island existed long before the creation of the Kuwait Shaikhdom and because these rights have always been preserved and no action contrary to international law which would have caused the changing of Iranian sovereignty over the island has been taken; the Imperial Iranian Government entirely reject the claim of the Shaikh of Kuwait to the island of Farsi and consider it to be lacking of any legal foundation. Further, they can not imagine that the representation of this matter by Her Majesty's Government's concordant with the existing spirit of collaboration and friendship between Iran and England.

The Iranian Government consider themselves legally authorised to take any measure and policy arising from their right of sovereignty over the island of Farsi in any way deemed advisable.

I avail myself, &c.

ARDALAN,
Minister of Foreign Affairs.

SECRET—GUARD

EP 1015/33

No. 25

THE SITUATION IN IRAN

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received October 5)(No. 104. Confidential) *Tehran, September 29, 1956.*
Sir,

In the summer of 1955, some four months after the Shah dismissed General Zahedi and installed M. Ala as Prime Minister, I had the honour to report that the Government's control over events and people appeared to have weakened to an alarming extent (Mr. Wright's despatch No. 84 of the 3rd of August, 1955, refers). In point of fact the Government has muddled along adequately if unconstructively during the ensuing year and the Shah has strengthened his position—in the eyes of the world and to a lesser extent in those of his own countrymen—by his determination and decisiveness in bringing Iran into the Bagdad Pact despite the apathy of the mass of the people, the hesitation of others and the opposition of some. Meanwhile, although the international standing of the Iranian Government has grown—as witness their useful role in the Suez crisis—and although the very promising oil strike at Qum should give a fillip to Iranian national morale, there have been indications subsequent to those mentioned in my despatch No. 150 of the 31st of December, 1955, that discontent in the country is spreading and intensifying and that we, the British, are incurring a good part of the odium. In this despatch I propose to examine where the discontent occurs, what causes it and what, if anything, we can do about it.

2. The main cause of the general discontent is economic. Oil revenues are large; the Seven-Year Plan Organisation has promised that its projects for economic development will raise the standard of living of the people. But so far nothing seems to have been done—no project completed. Where, people ask, is the money going? And when they see the new houses being built in the fashionable suburbs of Tehran, the large American cars in which the upper classes and business men move about, the luxury maintained by the Court, the upper strata of the régime and the rich, absentee landowners ("the thousand families"), people assume that it is they who are misappropriating the money. The cost of living continues to rise; there are no reliable statistics by which to measure the rise, but

it is almost certainly of the order of a quarter to a third during the last two years and had been rising even faster before that. Meanwhile wages show no commensurate rise, the Government being fearful of the employers' reactions to any revision of the statutory minimum wages fixed in 1949. They were anyhow inadequate then. An average labourer's wage outside Tehran, except in the oil industry, is 30 to 40 rials a day (3s. to 4s.). A man can hardly live on this, let alone feed and house a family, while the lack of housing, water supply and electricity is keenly felt and resented by large numbers of workers in urban areas. Moreover under-employment—days on which people do not work and are not paid—and in some areas unemployment, with no dole, are common.

3. The result is continued poverty and misery. Under Mosaddiq this could be borne. He asked for austerity as the price for national dignity. For some time at least he created the illusion of an honest régime. But in the last three years hopes of a different kind have been raised, more seductive vistas have been opened up. Yet so far there has been little change, and some of the changes have been for the worse. This is the real challenge which faces the Shah and his Government. They cannot afford to stand still. It has been trumpeted abroad that Iran will be rich. Where are those newly found riches? To some extent, of course, they have not yet fully materialised. To some extent they are meeting backlogs, or being ploughed into projects not yet visible above ground. But in the long run Iran's immense economic opportunities could become the source of great political danger. If they are not effectively utilised to improve the lot of the people at large, they will only serve to fan a resentment which, sooner or later, is bound to explode.

4. For the moment, however, we have not reached that point. It is primarily in Tehran that discontent finds political expression. Outside the capital in the provinces there may well be pockets of open dissatisfaction among distressed groups such as flood victims, peasants in regions where the ban on opium-cultivation

has brought a fall in their cash income, or the textile workers of Isfahan. Stories, which we hear but cannot confirm, that there are Tudeh cells, sometimes only three or four people, sometimes more, in towns and villages throughout the country, may have some truth in them and such cells, whether Tudeh or nationalist, doubtless constitute a potential danger. I am informed by Professor Lambton, who has recently been staying both in Tehran and in the countryside that she found the disillusion and cynicism which a few years ago would have been confined to political circles in the metropolis and larger towns had now seeped down to the peasants and work-people. But outwardly the country at large, the tribes and the frontiers, are quiet. It is in Tehran, where there exists an educated middle class, identifying its interests and aspirations with those of the nation, that one finds openly-expressed bitterness and criticism of the Shah and his Government's conduct of affairs.

5. Iranians are born critics. They can always tell you what is wrong with the Government, though less often what to do about it. There is plenty to criticise in the Ala Cabinet. It is at sixes and sevens. Ala is an old, tired, timid man, though he has integrity. Ala and Eqbal (Court) intrigue against each other; Alam (Interior) also loathes and is loathed by Eqbal and is hostile to General Bakhtiar (the powerful Military Governor of Tehran); Gulsha'iyân (Justice) is arousing alarm in influential circles by his plan, in the interests of cleaning up a corrupt judiciary, for subordinating the bench of judges to the executive; while Ebtehaj (Seven-Year Plan) is disliked and opposed by everyone. As within the Cabinet, so within the Court, there are mutually hostile factions and groupings. This lack of harmony and pursuit of individual interest at the highest level of government are public knowledge leading to public cynicism and disquiet. The Cabinet, weak and divided, can give no lead to the country.

6. The elections to the Majles, held earlier this year, were openly rigged by the Shah, no doubt because he wanted to have (as he had in the 18th Majles) a servile and pliant Chamber. Whether or not he turns out in the long run to have got what he wanted, his short-term gain would seem to be offset by the mistrust and resentment he has incurred by these election practices.

7. The Shah imagines that he enjoys the full and loyal support of the armed forces

but many of the younger officers are dissatisfied with and critical of his policies. Even General Bakhtiar, in conversation with a member of my staff, has criticised the lack of discipline and spirit of co-operation within the army and security organisation. Recently there have been reports that further evidence has been uncovered of Tudeh sympathies among officers and non-commissioned officers and that another purge is unobtrusively taking place. But apart from any ill wind which may be blowing through the army, the whole apparatus of military government (troops, gendarmes, police and frontier guards preying on the people, exacting "protection money" and behaving high-handedly and in some cases tyrannically and brutally) is itself a source of discontent. The fear is now being expressed that the Ministry of National Security, at present in the process of formation, and which General Bakhtiar is expected to head, will only prove to be an extension in another form of a military government directed by the Shah. A proposed amendment to the Press Law which would transfer from the Military Governor to the police wide powers of arbitrary suspension of newspapers is encountering strong opposition from newspaper owners and editors.

8. The middle-class of intellectuals, professional men and students can be regarded as a generally disgruntled body. A large proportion of the students abroad in Europe and America are believed to retain their pro-Mosaddiq or Tudeh sympathies. Some remain abroad; others return and, like many Asian students fed on Western science and political economy, believe their just ambitions and rightful advancement to be thwarted by the nature of the régime. They see their own merits apparently unrewarded and cynically profess that only sons of the "thousand families" can gain promotion to the better positions.

9. Another disturbing factor is the return of Nationalists who formerly supported Mosaddiq. There are now on record several cases where such pro-Mosaddiq officials and professional men have been reappointed and, conversely, where men who opposed the Mosaddiq régime have been elbowed out. Such a trend (especially noticeable in the Seven-Year Plan Organisation) has naturally caused despondency among those who resisted Mosaddiq, by whom it is rightly or wrongly interpreted as evidence of the Shah's habit of insuring against all

future contingencies by keeping in with everybody and playing one group off against another.

10. These streams of middle-class discontent converge on the Shah; and behind the Shah there stand, in the public mind, the British. The British, it is generally believed, leading the Americans behind them, have given the Shah a free hand to rule Iran in the style of military autocrat as a *quid pro quo* for Iran's adherence to the Bagdad Pact. So deeply is the myth of the British—ubiquitous, always in the know, with an intelligence organisation with countless tentacles, endlessly scheming behind the scenes to uphold British interests and obtain British ends—engraved on the Iranian mind that, although I firmly believe that during the past two years this Embassy has succeeded in living down its former reputation for pulling political strings at every level, we are now believed to be exerting our influence more subtly by making the Shah our creature by supporting and encouraging his system of government, and by showing ourselves indifferent to the consequences except in so far as our interests are directly affected, viz., foreign policy and oil supplies and revenues.

11. The Shah's character is well known. But since it is both the clue and at present the key to Iranian politics, a reappraisal of his merits and weaknesses may perhaps be forgiven. The Shah has an impressive presence, his charm and intelligence are readily apparent and he sincerely desires to improve the lot of his people. During the past year he would seem—under Western eyes—to have gained in stature by driving through his Bagdad Pact policy which in turn has brought him added political confidence, and also by stoutly standing up to the Russians during their winter bombardment by note and on his recent visit to the Soviet Union.

12. Moreover he has set himself a programme and has an order of priority for carrying it out. His first aim has been to regulate Iran's external relations, which, with the oil agreement, adherence to the Bagdad Pact, the frontier agreement with USSR and useful and amicable discussions of outstanding issues with other neighbouring countries such as Turkey and Pakistan, he has partly achieved. Secondly, and much more difficult, he is trying to put through a series of domestic reforms, including reform of the fiscal system and taxation, streamlining the civil service, rooting out the production and consumption

of opium and eliminating corruption. Apart from opium, in respect of which his measures seem to have been remarkably effective, his domestic reforms have not so far been markedly successful. Partly this is due to the intractability of the problems he is tackling; partly to the incompetence and egotistical individualism of his Ministers and civil servants (the idea of political and administrative collaboration and teamwork does not exist); partly to corruption and the opposition of vested interests; and partly to his own weaknesses.

13. These have not disappeared. Jealousy (which he surely inherited from his father, Reza Shah) and lack of ruthlessness in pursuit of his objectives must be singled out as primary weaknesses; in the atmosphere of intrigue, adulation and fear which surrounds his court, the Shah listens to too many people and ends by trusting no one. Extreme sensitivity regarding his own prestige is blended with deep suspicion of those who come near him. His tendency is therefore to surround himself by little men whom he can divide and rule. He is quick to cast down any possible rival to himself as the source of power or the centre of public attraction. By his constant and not always well-advised interference with the processes of government, he contrives to publicise his autocratic tendencies. But, unlike his powerful father, he lacks the sustained effort for following through his schemes; and so remains an ineffectual dictator. Consequently he is unable to infuse his people with any feeling of being members of a dynamic and united society moving forward to a better state of affairs.

14. The Shah's feelings towards the British are a matter for speculation. At the present time he seems genuinely to believe that co-operation between Iran and Britain is a vital interest for him and his country. He is deeply committed to working with the West. Yet judging by his conduct in the Mosaddiq era, we could not rely on him to stand firm either in his own or our interests under the strain of crisis. Though many Iranians may believe that our "support" of him is a proof of our indifference to their real welfare, he on his side is not completely convinced that our "support" is thorough-going and is almost equally prone to suspect us of lack of concern for Iran.

15. If the present discontent is to be allayed one of two things must happen: the régime must become more dynamic and effective or some safety valve must be

found through which public opinion can express itself and exert pressure on the régime. Because of the Shah's administrative defects and the poor quality and self-centredness of his Ministers, advisers and civil servants, I do not see much hope of a quick improvement in the régime. On the other hand, a weakening of the Shah's autocracy and the introduction in its place of a system in which the Shah would relinquish his control of the Government and become more of a constitutional monarch in the Western sense, might prove disastrous; the Shah at least provides a certain driving force, even though he veers and vacillates and his impulses are spasmodic, whereas under any political grouping which could be found to take over from the Shah and his existing régime the direction of the country things would be likely to bog down rapidly in complete inertia or to slide towards revolution. We must beware of imitating the Iranian fault of criticising and working against the present régime, inadequate as it is, unless there is a better alternative, with a constructive plan of action, to take its place. The prospect of finding ourselves increasingly associated in the public mind with an unpopular and ineffective régime is clearly highly distasteful. But I do not think that it would be either wise or practicable to attempt to dissociate ourselves from it overtly. We must rather try to encourage any tendencies which may make it more effective, or less unpopular.

16. I fear this almost amounts to saying that we cannot take much initiative, despite the dangers which the present situation holds. Indeed, there is little, if anything, that we can do directly to alter the situation; we cannot change the Shah's character or turn an ineffectual autocrat into a far-seeing constitutional monarch; we cannot suddenly transform a corrupt and inefficient Administration into a dynamic and capable one; we cannot conjure from thin air a political party, imbued with a spirit of collaboration for the country's good, from which an alternative Government, with constructive ideas of what to do and how to do it, could be formed. Certainly any form of direct intervention in Iranian affairs, overt or behind the scenes, is exceedingly dangerous, liable to become known, exaggerated, distorted and to defeat its own purpose. It would provide an opening for nationalistic, anti-British elements to exploit. It would, in my view, be a reversion to a policy which after the most careful consideration we

have deliberately abandoned, and which cannot be reconciled with our concept of Iran as an independent, sovereign State and partner which must be fully responsible for making its own bed—and lying on it. Only as a last resort in desperate circumstances and in support of vital British interests would direct intervention become the lesser risk. We should remember moreover that to some extent what is now wanted is a holding operation; although there are no statistics by which to measure it, the national income of the country is almost certainly increasing; its income from oil is rising and in four or five years the new discovery at Qum may increase this income significantly; the interest and confidence of foreign business men and investors in Iran are gradually being restored and, although there is very little to show yet, in a year or two new wealth will begin to accrue from the projects of the Seven-Year Plan. If a *débâcle* can be avoided before the time has elapsed which is necessary for these factors to produce results and provided that this new wealth is by Iranian standards equitably distributed, the benefits in terms of more jobs, higher pay, increasing production and a generally rising standard of living will make themselves felt.

17. What is needed as the basis of an improvement in Anglo-Iranian relations is not merely that we should have confidence in Iran but that Iran, from the Shah down to the ordinary people, should have confidence in the policies of Her Majesty's Government and in the British people. This, on the whole, they do not have. They consider that, while we make great demands on the energies and loyalties of Iran, we give the minimum in return and are exclusively concerned with upholding our own interests. This is mostly a psychological problem, and the right way to overcome it is to show more sympathy with Iran and concern for its interests.

18. Are there any methods, short of direct intervention, by which we can guide the Shah and his Government into more constructive policies, and convince them and the Iranian people that we are not indifferent to their economic and social progress, and that we are deeply concerned for their future stability and welfare? I think there are, but they must be used with care, discretion and consistency.

19. In the first place we have direct access to the Shah himself. He is by nature both resentful and suspicious. If I offer him unsought advice, save in the most

mutated terms, on how he might improve the way to run his country, all his latent hostility towards British interference is likely to flare up. Moreover, he is so suspicious by nature that he would in all probability not take such advice at its face value, but would conclude that it reflected some intrigue with opposition or subversive elements. Nevertheless, by enquiring from time to time about, e.g., the progress of various reforms, and indicating Her Majesty's Government's interest in their successful outcome, I can do something in my conversations with the Shah to keep him up to the mark. I can, too, perhaps head him off some of his more harebrained projects, and indicate delicately the importance we attach to the relaxation of excessive security measures such as military government, the development of responsible government, a competent administration, some semblance of democratic procedures, and a reasonably free press. But I regard it as of cardinal importance that I should not pass critical judgments on personalities, or say anything which savours of detailed intervention.

20. In the same way, at other levels, we in this Embassy can express our concern for orderly economic development and effective social and administrative reforms. We can show that we are aware of the prevailing dissatisfaction, and indicate the need to take account of it in formulating the programme of governmental action. We can also encourage the Government and the press to improve their own publicity services, through which much more could be done to make known their real aims and achievements in terms that can easily be understood by the people. We can try to get the Iranian Government and employers to adopt a more enlightened labour policy; the formation of trade unions to work for better pay and conditions for Iranian workers would provide a safety valve for much of the present discontent. But what we cannot do, in the present state of our knowledge and in the absence of specialist advisers, is to offer detailed advice on complex key issues, such as fiscal policy, the pruning of the civil service, or land reform. These are fields in which the Americans, with several hundred Point IV experts and an active programme of military, economic and technical assistance, are in a much stronger position to take the lead and express authoritative views. We should, however, familiarise ourselves more closely than hitherto with their programmes, and may from time to time be able to give them discreet support.

21. Some things, too, can perhaps be done which are beyond the range of our local resources. One obvious method is by the provision of experts. I do not think that we want to foist these on the Iranians; those supplied in response to specific demands, or to fill gaps which we observe locally, are likely to be the most effective. Recent appointments, by the City of Tehran of a British financial adviser, and by the National Iranian Oil Company of a British technician to advise on the exploitation of the new Qum oilfield, are encouraging examples. Our readiness to supply such people, quite apart from the good work they accomplish, can be cited as an illustration of our genuine desire to help Iranian progress. In the same way, by entering into partnership with responsible Iranian concerns (unhappily few and far between) British business houses, manufacturers and mining companies can display British interest and confidence in Iran, while at the same time helping to improve Iranian business and production techniques and increasing our trade. Unfortunately, most of these activities touch the lives of relatively few people, and are therefore of limited effect, from the point of view under consideration here. Of less real value, but tactically more effective, would be more frequent appearance of serious, well-informed and tolerant but not necessarily uncritical articles about Iran in the British press. At least until the excellent *Times* editorial of the 28th of September, we heard frequent complaints that the British press ignores Iran. When it does not do so it is inclined to sneer. Nothing could be worse for the healthy development of our future relationships; nothing could be better calculated to fan suspicions that, having got Iran internationally and commercially more or less where we want her, we are indifferent to her fate, and regard her efforts towards her own improvement, in so far as we regard them at all, with humorous and slightly malicious detachment. Exchanges of visits of all kinds—and the prospect of a State visit by the Shah in 1958 would serve to keep the pot of our goodwill evidently simmering during what may prove a crucial period—are most valuable, but I would particularly urge that more visits by responsible and sympathetic journalists should be paid to Iran in the future than have been in the recent past.

22. Finally, it remains as essential as ever that our attitude towards, and actions directed at, the problems set out in this

despatch should be broadly co-ordinated with those of the United States Government and its representatives here. I know that my United States colleague shares much of the disquiet about the position of the Government and the Shah which I have expressed here; there are indeed some matters, e.g., the performance of the Plan Organisation, on which he takes a graver, and, in my opinion, an unduly alarmist view. I would see no harm, and, indeed, much advantage, in comparing notes with the State Department on the basis of the analysis in paragraphs 1 to 13 inclusive of this despatch, in indicating to them the general lines along which I have suggested dealing with the situation, and in inviting their views and comments. But, subject to your views, I do not think, knowing the local personalities concerned, that we want to stimulate them to take any special action

or to issue any particular instruction to their Ambassador here. In so far as local action, over and above what is being done already, is required, I suggest that for the present at least this can best be concerted locally *ad hoc*. I would propose as a first step to show my United States colleague paragraphs 18 to 20 inclusive of this despatch, explaining that these are the lines along which I have recommended we should proceed. With those aspects of the problem which relate more particularly to Iranian attitudes towards Britain the United States Government is perhaps less immediately concerned.

23. I am copying this despatch to Her Majesty's Ambassadors at Bagdad and Washington and to the Political Officer with the Middle East Forces.

I have, &c.

ROGER STEVENS.

EP 1013/5

No. 26

IRAN: QUARTERLY POLITICAL REPORT—JULY–SEPTEMBER 1956*Sir Roger Stevens to Mr. Selwyn Lloyd. (Received October 12)*

(No. 108. Confidential)

Tehran,

Sir,

October 6, 1956.

I have the honour to submit my report on events for the third quarter of 1956. The period was memorable for the actively pro-Western role adopted by the Iranian Government over the Suez crisis, the discovery of oil at Qum, the Shah's visit to Russia and for disastrous floods in the south and west of the country. While internal security remained good, middle-class resentment against the Shah and his Government unfortunately appears to be growing. Oil production in the south is increasing slowly but steadily. United Kingdom exports to Iran are now running at the rate of over £30 million per annum.

Internal Affairs

2. The security front remained calm and Musaddeq's release on the 4th of August after nearly three years in prison caused hardly a flicker of attention. On the 30th of August, military Government for Tehran and the railways was extended for a further three-month period. While the Senate remained in recess throughout the quarter, the 19th Majles re-convened quietly on the 23rd of September.

3. Political interest centred mainly on the activities of Gulsha'iyān, who became Minister of Justice in May and who has been energetically directing the Government drive to clean up the judiciary and to take action against notoriously corrupt elements. As an essential preliminary step, Gulsha'iyān obtained "double emergency" powers from the Majles which enable him to table bills for the reform of the judicial administration and the legal code, which require only the approval of the Parliamentary Justice Commission before emerging as "decree laws". He then presented two bills to the Commission. The first, concerning measures to be taken against those who have illegally enclosed crown lands in the suburbs of Tehran and other towns, was quickly approved. But his second bill, which demanded that powers of dismissing judicial personnel, which normally reside in the Higher Council of the Judiciary should be delegated to the Minister of Justice for one year, was opposed and blocked on the grounds that such a delegation would be unconstitutional. The deadlock was broken by the Shah's intervention and a formula found which, while maintaining the letter of the Constitution, in fact devolves a considerable increase of power over judicial personnel to the Minister of Justice and through him, when and if required, to the Shah. Gulsha'iyān subsequently proceeded to replace a majority of Supreme Court judges by his own nominees. At the end of the quarter, Gulsha'iyān presented a draft Press law to the Justice Commission. This law would give the police wide powers to censor and suspend newspapers. It has aroused strong protests from editors as well as doubts in parliamentary circles as to Gulsha'iyān's competence, as Minister of Justice, to present such a draft law which clearly lies outside the scope of his emergency powers, to the Justice Commission. The law appears likely to be modified and delayed in passage through Parliament.

4. Evidence accumulated to suggest that the Government intend to do away with the system of martial law in Tehran and on the railways (where it still remains) and to return to constitutional rule as soon as possible—perhaps even on the 30th of November when the present three-month extension of military Government for Tehran is due to end. But before carrying out this design the Government has taken and are taking steps to arm themselves with sufficient legal power to control future circumstances and to suppress subversive elements. The first of these measures was the rigging of the elections to the 19th Majles conducted by the Shah during the early months of the year; the second was the new power for the executive over judicial personnel gained recently by Gulsha'iyān; the third is the draft Press law and the last to appear is a draft bill on security just tabled by Minister of Interior Alam. The bill on security may herald the much-discussed establishment of a national security organisation headed by an official with Ministerial rank, probably General Bakhtiar, the present Military Governor of Tehran.

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5. Concern over the apparently increasingly autocratic nature of these measures, together with the sense of personal insecurity, fear and dislike, which the high-handed behaviour of the military Government, gendarmerie and police induce in the ordinary people who suffer their oppression and extortion, are sources of a slowly mounting resentment against the régime. At the lower levels the cost of living also causes discontent, and even hardship. While there is certainly no sign of the pot beginning to boil, it has evidently started to simmer. Unhappily, there are some indications that part of this resentment is directed against the British. British policy is still regarded as the controlling factor in the Iranian situation; people are now saying that it takes the form of giving the Shah a free hand in return for Iranian support for British foreign policies in the Middle East.

6. In mid-July severe rainstorms and floods caused much destruction, which assumed the proportions of a national disaster, to village life and agriculture in the south and east. The Shah toured the damaged areas and a relief organisation was set up. Gifts of wheat were made by the United States and Russian Governments; cash and cotton cloth given by Turkey and Pakistan and £5,000 in cash donated by both Her Majesty's Government and the Oil Consortium. In addition the British community in Iran gave nearly £2,500 to a fund which I opened, and a further £350 was raised at a concert given in the Embassy.

Economic and Financial Affairs

7. On the 26th of August oil, struck at about 9,000 feet by a N.I.O.C. drilling team near Qum, gushed skywards at very great pressure and flowed at an increasing rate, which has been difficult to estimate but may have reached 150,000 barrels per day. An American well-sealing expert, Myron Kinley, was summoned to stop the well which he partially succeeded in doing with the aid of a seven-ton valve on the 17th of September. During these three weeks the rain of oil released by the gush formed several lakes of oil in nearby depressions. Meanwhile, the pressure from the well is so strong that the valve cannot be closed completely and the escaping mixture of gas and vaporised oil is being piped off and burnt. The Iranian authorities, after an initial period of natural jubilation over this new source of future wealth unearthed by Iranian initiative, are now faced with the realisation that they have hooked a powerful fish on a weakish line. The well is costly to control, has disrupted road and rail traffic between Tehran and the south, and is in danger from a fiery explosion in the gas-laden atmosphere which envelopes the area. Although some crude oil from the oil lakes is being sold on site to local traders at 480 rials (45s.) per ton, it will evidently be many months before the products of the well can be exploited effectively. Various lines of action, such as erecting a small refinery, of laying a pipeline from Qum to a Turkish Mediterranean port or of piping the oil to Abadan through the Ahwaz–Tehran pipeline now under construction, are being discussed. Mr. Taleqani, Minister without Portfolio, has been charged with integrating the exploitation of the Qum oilfield with national economic policy and a British expert, Mr. C. J. Wright (formerly of the A.I.O.C.) has been engaged to advise the N.I.O.C.

8. Oil production in the southern fields during the January–August period was 16.8 million tons of crude while throughput at the Abadan refinery amounted to 6.8 million tons. These figures show a steady increase in production and refining.

9. Iranian efforts to interest British and foreign oil companies in a scheme for joint participation in drilling for, and exploiting, oil on the Iranian continental shelf in the Persian Gulf met with an initial rebuff. A number of United States firms, British Petroleum and Shell all rejected the idea of partnership in this venture on the very stiff terms proposed.

10. Work on the Ahwaz to Tehran pipeline forged ahead. On the 13th of August Ebtehaj, director of the Seven-year Plan Organisation, attended a ceremony at Azna to mark the laying of the last few sections of the 300 mile southern part of the line up from Ahwaz. This part of the line, which has been constructed by the United Kingdom firm of Costain-John Brown, is now likely to be in service four months ahead of schedule.

11. While the possibility of an I.B.R.D. loan remained unsettled and United States financial assistance for the United States fiscal year to Iran unannounced,

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the current financial picture was considerably brighter than that for the same period last year. Foreign exchange reserves were likely to be sufficient to meet existing liabilities on time and the Government had the means to meet its internal commitments such as the pay for the armed services and the civil administration. In the field of foreign trade, quotas were abolished, though the Governor refrained from publicising the fact.

Foreign Affairs

12. Throughout the Suez crisis the attitude and actions of the Iranian Government have been consistently helpful to the West, and due recognition was given to this constructive Iranian role by *The Times* in a leading article published on the 28th of September. Dr. Ardalan, the Foreign Minister, represented Iran at the two London conferences, and at the second conference helped to exert timely pressure on the Pakistan delegate to refrain from backing away from the Users' Association plan for the future international management of the Canal. Dr. Ardalan was also the only Muslim and Asian representative on Mr. Menzies' Committee of five which flew to Cairo to inform Colonel Nasser of the proposals agreed at the first London conference. Furthermore, on the 29th of September, in taking the decision to join the Suez Canal Users' Association the Iranian Government became the first Asian and Muslim Power to do so.

13. While the Government has expressed sympathy with the principle of Egyptian nationalisation of the Canal and Dr. Ardalan has emphasised the need to avoid force, in practice their action has been to give courageous and useful support to the Western Powers' lead. Apart from loyalty to the Baghdad Pact, the Government has been conscious of Iran's economic vulnerability should Egypt remain in control of the Canal. Throughout the crisis the authorities have kept the Press on a short rein; and the Western case has had a reasonable showing.

14. No important Baghdad Pact developments took place but liaison work and some technical co-operation appeared to be going ahead. The Turkish Defence Minister's visit to Iran in September was an example of liaison activity.

15. The Shah's visit to the Soviet Union, which took place from the 26th of June to the 13th of July, went off well. Compared with other recent high-level Asian visitors to that country the Shah was most successful in avoiding entanglements; no joint communiqué was issued and the Shah maintained his ground against the Soviet propaganda machine. He was able to stress in public the defensive nature of the Baghdad Pact and to point out that his country's adherence to the Pact was dictated by past experience. The only proposal apparently made by the Russians—for joint development of the resources of the Araxes river—the Shah referred for discussion with the Seven-year Plan Organisation in Tehran. At the end of September the Soviet Embassy here gave several showings of a well-produced, 70-minute colour film with Persian sound track of the Shah's visit.

16. Other events arising from Iranian-Soviet relations were the conclusion of a barter trade agreement, on much the same pattern as previous agreements, and the arrival in September of the new Soviet Ambassador, Pegov.

17. Apart from difficulties, imagined or prospective, over Bahrain and certain islands in the Persian Gulf official relations between Her Majesty's Government and the Iranian Government remained good. The bond forged through the Baghdad Pact Alliance may well be strengthened by the present co-operation between the two Governments over the Suez Canal crisis if events in Egypt can be brought to a conclusion suitable for the London conference Powers within a reasonable period. The Suez Canal crisis has helped to bring the two Governments into closer contact and to highlight their community of interest. But the quality of their future relationship depends on a number of complex and unpredictable factors.

18. I am sending copies of this despatch to Her Majesty's Representatives at Washington, Ankara and Baghdad, to the United Kingdom High Commissioner at Karachi, the head of the Political Office with the Middle East Forces, the head of the Middle East Development Division, Beirut, and the Commander-in-Chief, East Indies.

I have, &c.

R. B. STEVENS.

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EP 1084/29

No. 27

SAUDI SEIZURE OF ARABI ISLAND

(1)

Mr. Parkes to Mr. Selwyn Lloyd. (Received October 28)

(No. 349. Confidential)
(Telegraphic)

Jedda,
October 28, 1956.

Bahrain telegram No. 934: Persian Gulf Islands.

In audience of October 25, King Saud said he wished to inform me that Saudi Coast Guards had occupied Arabi in order to forestall similar action by the Iranians. He had learnt quite recently from Saudi patrol boats that Iranians had occupied Farsi and had had representations made in Tehran about this. He wished to emphasise that stationing of Saudi Coast Guards on Arabi should not be taken as aggression in any shape or form but was merely designed to safeguard Saudi claim to the island. In previous negotiations it had looked as if we were prepared to waive claims to the other islands in return for recognition of Kuwait's claim to Farsi. The King's inference here was clear. In these circumstances we should not object over much to Saudi precautionary action over Arabi; and indeed Hafiz Wahba told me later that it had been taken on his advice.

2. I said that since Arabi was in dispute between Kuwait and Saudi Arabia I should naturally have to report its occupation by Saudi Arabians to my Government who acting on behalf of the Ruler of Kuwait would no doubt instruct me further. For His Majesty's information we had already made representations in Tehran about the Iranian occupation of Farsi. Saudi occupation of Arabi thus seemed to me to make confusion worse confounded and lessen the chances of a settlement between us in the matter of these islands which had previously looked well within reach.

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(2)

Mr. Selwyn Lloyd to Mr. Parkes (Jedda)

(No. 770. Confidential)
(Telegraphic)

Foreign Office,
November 1, 1956.

Your telegram No. 349: Saudi Occupation of Arabi.

You should address a note to the Saudi Arabian Government referring to your conversation with King Saud on October 25 and stating that, as no agreement was reached with the Saudi Arabian Government in previous negotiations about Arabi and other Persian Gulf islands, Her Majesty's Government still regard Arabi as belonging to Kuwait. In these circumstances, the Saudi Arabian Government had no right to occupy the island, on whatever pretext, without prior consultation with Her Majesty's Government. By so doing, they have lessened the chances of a final settlement being reached on the ownership of Arabi and other disputed islands. Her Majesty's Government therefore request that the Saudi Coast Guard party be withdrawn without delay and all evidence of its having been there removed.

2. Political Agent, Kuwait, should inform the Ruler immediately action is taken.

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(3)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 1238. Confidential)
(Telegraphic)*Foreign Office,
November 16, 1956.*

According to United States Embassy here the Iranian Minister for Foreign Affairs told your United States colleague on November 4 that a party of Saudis had been expelled by force from an unnamed island by an Iranian landing party. In what was evidently a reference to this incident, King Saud told the United States Ambassador at Jedda on November 15 that he took a serious view of the use of force by the Iranians against the Saudi garrison of an island. Saudi garrison was apparently put ashore on the Saudi coast by the Iranians.

2. These reports evidently relate to Arabi. Have you any information?

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(4)

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received November 19)(No. 968. Confidential)
(Telegraphic. Saving)*Tehran,
November 19, 1956.*

Your telegram No. 1238: Arabi.

My United States colleague confirms that he was so informed by Minister for Foreign Affairs. He also tells me that according to his colleague in Jedda the Saudis are convinced that we put the Iranians up to it and that we secretly participated in the Iranian/American joint naval exercises to which the seizure of Arabi was a sequel. Wadsworth is doing his utmost to dispel these stories.

2. Incident explains Shah's reference to Saudi Arabia (see enclosure to my letter to Riches of November 17). I propose to say nothing more to the Iranians unless instructed.

EP 1084/38

(5)

Mr. Selwyn Lloyd to Sir Roger Stevens (Tehran)(No. 1356. Confidential)
(Telegraphic)*Foreign Office,
December 5, 1956.*

Your telegram No. 968: Iranian Occupation of Arabi.

Failure to protest at the Iranian occupation of Arabi would impair the Ruler of Kuwait's claim to the island, particularly as we have already protested about Farsi. However, it is important that the protest, although in writing, should be in moderate terms. You should therefore address a Note to the Iranian Government saying that it has come to Her Majesty's Government's knowledge that a party of Iranians have occupied the island of Arabi. Since Her Majesty's Government consider the island as forming part of the territories of the Ruler of Kuwait, you have been instructed to protest to the Iranian Government against this action taken by Iranian forces.

2. For your information we are also protesting to the Saudi Government at their original occupation of Arabi but as protest will be channelled through protecting Power it may be some time before it is delivered. Her Majesty's Ambassador, Jedda, was unable to act on Foreign Office telegram No. 770.

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(6)

Enclosure to Tehran P/L No. 137 of December 8, 1956. (Received December 10)

(No. 198)

British Embassy to Iranian Ministry of Foreign Affairs (Tehran)

Her Britannic Majesty's Embassy present their compliments to the Imperial Iranian Ministry of Foreign Affairs and have the honour to state, upon instructions from Her Majesty's Government, that it has come to their knowledge that a party of Iranians have landed on the island of Arabi.

2. Since Her Majesty's Government regard this island as forming part of the territories of the Ruler of Kuwait, the Embassy have been instructed to protest to the Imperial Iranian Government against this action taken by Iranian forces.

3. The Embassy avail themselves of this opportunity to renew to the Ministry the assurance of their highest consideration.

*British Embassy, Tehran,
December 8, 1956.*

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EP 1051/53

No. 28

ANGLO-IRANIAN RELATIONS

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received November 20)

(No. 126. Confidential) *Tehran,*
Sir, November 17, 1956.

I am reporting separately on the internal situation in Iran resulting from Anglo-French intervention in Egypt. In this despatch I shall describe briefly what it has done to Anglo-Iranian relations.

2. Outwardly these have stood the strain remarkably well. We are still on excellent terms with most members of the Government. Our personal relations have scarcely been affected. Official contacts, including the Shah, have for the most part been sympathetic with our presumed motives and polite about alleged errors. The Iranian habit of saying what is agreeable to the hearer has largely spared us from direct and outspoken criticism; we have had to ascertain the sort of things that are being said to other people, friends and neutrals, to get a true picture.

3. Yet there is, I fear, no doubt that deep wounds have been inflicted on our relationship. They are less grave than in many other Moslem countries, but they will take time and attention to heal. I do not need to list the instruments with which they have been inflicted. They are the same as elsewhere. But in Iran they are on rather special parts of the body, as I shall attempt to describe.

4. There is the damage to our relationship within the Bagdad Pact. Our suspected collusion with Israel, and our open association with the French have not raised the same violent animosities here as elsewhere in the Moslem world; they have, however, made our position look equivocal and harder to explain. What is more serious here is that we have taken forceful action in the area on our own without previous consultation with or warning to our Bagdad Pact allies with whom we promised to keep closely in touch on these matters only six months ago; and this has gravely shaken confidence in us. It has also involved the kind of slight to which Iranians are inordinately sensitive. We may hear more of this. There have been hints in the press, possibly inspired, that Bagdad Pact members should in future foreswear unilateral action in the area.

5. More serious still is the damage to our direct relationship with Iran. This country has a long and largely unwarranted suspicion of our motives and our actions. They have always believed that these, and our professions, were ill-matched. Within the last few years, since Musaddiq, we have succeeded in convincing a good many influential people that we do not entertain sinister designs on them, or anybody else; that we want a straightforward relationship between independent partners; that we have abandoned colonialism; that our word is to be trusted and that we mean what we say. Both the use of force and the ambiguous circumstances surrounding our intervention in Egypt, have given these convictions a serious set-back. The supposed discrepancy between our alleged objectives and our real intentions has revived old doubts about our reliability. Our defiance of the United Nations, which saved Azerbaijan in 1946, seems to spell a return to the bad old days when big Powers wreaked their will on small ones without check or restraint. An armed attack, however gentle, on a weak Moslem Power, however malevolent, cannot fail to recall the methods of imperialism and raises a surge of nationalist feeling in every Moslem heart. The use of force, partly, as it appears, in support of our economic interests, has called forth memories of Abadan. The Shah's first spontaneous reaction was when he said to my Counsellor on October 31 "And what is your pretext this time?" He himself now understands our motives better, but others do not. The clock has been turned back a long way.

6. The rift with the United States has also done much damage here. In little things, the Iranians sometimes enjoy, and think they profit by, driving wedges between us. But a major difference, self-inflicted, is another matter. The last time it happened, to their recollection, it led to Musaddiq for them, and virtual annihilation in this country for us—both things that thinking people now bitterly regret. What further troubles, they wonder, can be in store now? An Anglo-American split puts them, moreover, in a practical quandary—which of us shall they choose? There is no doubt that

at the moment, if they have to, they will choose the Americans. We must certainly anticipate a considerable strengthening of the American position here, but this is not anything that Iranians altogether like. They prefer to maintain a balance, to draw upon the best of both worlds. As the Shah said to me when I first arrived "I regard the closest Anglo-American co-operation as the best thing for Iran."

7. Hitherto, except during Musaddiq, the balance has been roughly maintained. The Americans have provided the money, the arms, and most of the experts; but we have supplied the experience, the patience, the stability and the skill. Neither the haste with which we decided to enter Egypt nor our failure to achieve a decisive result there have improved our standing in these respects. Iranians, like many others, judge of our operation partly by its success. Had it achieved the desired result, and Nasser disappeared, our stock as compared with the Americans might still have soared. But as it is, the balance of Anglo-American influence here is upset, because the intangibles on which our contribution was largely based have been damaged; the process of adjustment will be long.

8. That things are not worse is largely because deep antagonisms have not been allowed to come to the surface. The press has been well controlled, and public security admirably maintained. For this we have to thank the authorities, especially the Shah. There are other acknowledgments to make, and a curious assortment they are; the Bagdad Pact, Colonel Nasser and the USSR. Our alliance through the pact, though a cause of special concern (paragraph 4 above), has stifled attacks, or at any rate stimulated the Government to control them more effectively. In sophisticated circles there are few illusions about Nasser, particularly since he deliberately blocked the Canal. But mostly we have to thank the USSR, firstly for the timing of her outrage against Hungary, and secondly for her threats of intervention. These, though they caused alarm, have helped to put "British imperialism" in perspective.

9. The work of repairing our relations will take a long time. Mr. Ala, the Prime Minister, who was educated in England,

and through the years has remained close to us, though he has sometimes been critical of us, said at the beginning of the crisis—"You have made things terribly difficult for us and raised a bitterness which will last a generation." Political memories are short and this may be an exaggeration. But it would be prudent not to underestimate the blow which our reputation has suffered; we have lost, in great part, the reputation built up by our fight against Nazism during the second World War and by the prominent role we played in the formation of the United Nations; we have lost our reputation for being able to take skilfully-planned, swift and effective action in defence of our interests. Our worth, hitherto undoubted, has now been called in question.

10. Our methods rather than our aims will be the vital factor during the next year or two in winning back Iranian friendship. Fortunately that friendship is recoverable because Iran needs Western help against Russia; and the Shah needs Western support for his régime. Moreover, our aims on a Middle Eastern settlement largely coincide, as the exchange of statements during the Tehran Conference indicated. What matters is how we work towards the achievement of these aims. If we show by deeds our determination to work through and strengthen the United Nations, if we consult with our allies and especially with our Bagdad Pact partners on Middle Eastern questions (as we failed to do more than once over Suez); if we repair the rift in the American alliance; and if we disavow the unilateral use of armed force, we shall lay a solid foundation for the re-establishment of our position in Iran. But at the same time it will be necessary for us to contribute more positively to the work of the Bagdad Pact itself, and to pay particular attention to the needs and the susceptibilities of Iran. On these subjects I propose to make specific recommendations in a separate despatch next week.

11. I am copying this despatch to Her Majesty's Representatives at Ankara, Bagdad, Karachi, Political Office with the Middle East and Washington.

I have, &c.

R. B. STEVENS.

EP 1051/57

No. 29

PROPOSALS FOR STRENGTHENING ANGLO-IRANIAN RELATIONS

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received November 26)(No. 131. Confidential) *Tehran, November 23, 1956.*
Sir,

In my despatch No. 126 of November 17 I described the state of Anglo-Iranian relations following upon the Anglo-French intervention in Egypt. In this despatch, I propose to make recommendations on steps which I consider must be taken, both through the Bagdad Pact and directly, if our relations with Iran are to be restored. In the form of my recommendations, I assume that the Bagdad Pact holds together. If it does not, the arguments for strengthening our remaining allies in the area will be further reinforced. All the proposals made below will remain valid though some may need adaptation. I do not intend to deal with the broader aspects of policy relating to Egypt, Palestine and the Suez Canal which, though vitally important to our position here, are not immediately within my province. I shall concentrate rather on matters which relate specifically to our position in, and relations with, this country.

2. The broad background, as I see it, is that we have, in Iran and Turkey, two allies in this part of the world who are relatively immune from the emotional excesses which have afflicted their Arab neighbours; who are thoroughly convinced that the real danger to them is Russia; and who desire close and friendly relations with the Western Powers, and not least ourselves. So far as Iran is concerned this is a policy to which the present régime has committed itself to the hilt. But it still has to prove to its own people that this policy pays. Iran has attained a certain stability based on the personal authority of the Shah, on the effective maintenance of security, and on close control of Parliament and the press. The Government's most positive actions so far have been in the field of foreign policy. Unless we can help to show that that policy has been successful, the stability of the régime may be endangered and we may lose one of our few remaining friends in the area. It therefore behoves us to do everything within our power and without loss of time to cement our friendship and to pay

closer attention than we have hitherto done to the needs and the susceptibilities of Iran. Until now, though our sentiments have been unexceptionable, our positive contributions have been small; and the impression has been created, rightly or wrongly, that we are more preoccupied with paying tribute to the waverers in a vain attempt to prevent them from becoming enemies, than with supporting and encouraging allies. It is essential that henceforth our policy in this respect should be unambiguous.

3. At the present time, it is in the field of military aid that help and support are most urgently required. Recent events have of necessity high-lighted the military weakness and the exposed position of Iran. This is a matter of anxiety, not only to the Iranian Government, but to Iran's Bagdad Pact neighbours. The Turks and Pakistanis now feel nearly as strongly about it as the Iranians themselves. The training and equipment of the Iranian forces, with the partial exception of the Navy, is a United States responsibility; and the limitations on the help which we can offer are fully appreciated. Nevertheless, there is certain action which we can usefully take:—

- (i) First and foremost we can urge the United States to give a much higher priority to military aid to Iran. Hitherto they have provided this country with a few guns, a handful of tanks and six jet trainer aircraft. They have concentrated, no doubt rightly, on training and have used the argument that it is useless to give more matériel until Iran's capacity to absorb and utilise it has been increased. I am convinced, however, that if they really put their minds to it, and without departing from these sound principles, they could do a great deal more than they are doing to speed up the training programme and hence to accelerate the supply of equipment. If confidence in the Western alliance is to be maintained it is essential that the Iranians are given more matériel with which to defend themselves, however much

we may hope to assist them at long range.

- (ii) Recent events have underlined the need for an effective early air raid warning system. At the moment, the Iranians have no means of verifying whether or not Soviet aircraft have crossed their territory and, therefore, no basis on which to protest. This is a situation which is bound to lead to a diminution of confidence. I strongly support the proposal in paragraph 1 of Appendix A to Bagdad despatch No. 277 of October 31, which suggests that the United Kingdom should offer to supply free a radar set to Iran costing £500,000 to £750,000, and to contribute to the general air warning system and to improvements of air-fields in the area.

- (iii) The Middle Eastern members of the Bagdad Pact pay military visits to each other and exchange military missions with great frequency. I am not in a position to assess the value of these exchanges, but I can say, with confidence, that similar frequent exchanges with the only non-Moslem member of the Bagdad Pact would be of much greater value, both practically and psychologically. No senior British military officer has visited Iran since the resumption of diplomatic relations. I would strongly urge that such visits should be organised and put on a regular basis. I warmly endorse the suggestion in paragraph 2 (a) of Appendix A of the Bagdad despatch quoted above that a Canberra flight to Iran and other Bagdad Pact countries might be included in the summer air training programme; indeed I would like to see it organised much earlier if possible.

- (iv) I notice that the Turkish memorandum (Ankara telegram No. 972 of November 15 to you) makes reference to the fact that Iran has no political guarantee that she would be assisted in case of aggression. A memorandum of February 20 last (copy herewith for convenience of reference) (1) enclosed in my letter to Sir Harold Caccia of February 21 gives details on this subject. While we have heard no more about the

problem from the Iranians direct, I have no doubt at all that the reference in the Turkish memorandum was inspired by conversations which took place during the recent Four-Power meeting in Tehran. The need for some guarantee is now greater than ever. The negotiation of a special agreement under Article 1 of the Pact of Mutual Co-operation between Iran and Turkey, which I suggested in my earlier memorandum, would no doubt take some time. Meanwhile, I recommend that consideration should be given to the issue of an official declaration of policy, to be made in conjunction with the United States Government. This might say that we would regard an armed attack on any member of the Bagdad Pact as creating a situation which would necessitate our giving all assistance in our power to repel the aggressor. If this were felt to be a dangerous commitment in relation to the Kashmir dispute, it could perhaps be applicable to Iran only; but then some explanation would be required as to why no similar undertaking was necessary in the case of other Bagdad Pact members.

4. The need to activate further the work of the Economic Committee of the Bagdad Pact is also greater than ever. This has formed the subject of so much voluminous correspondence in recent weeks that I do not propose to enter into details in this despatch. My views on priorities were contained in my letter 1193/68/56 of October 24 to Mr. D. A. H. Wright. I find myself in full agreement with the recommendations on the subject contained in Section III of Appendix A of Sir Michael Wright's despatch No. 277 of October 31. I would only add that, as long as our contribution to the work of the Economic Committee of the Bagdad Pact is only slightly in excess, per country per year, of one Ambassador's salary and allowances, we cannot begin to convince our fellow members that we mean business. To their knowledge we were, until a few months ago, prepared to spend upwards of £5 million as our initial contribution towards the High Aswan Dam. We are known to be paying more than £10 million a year to Jordan, a country which has become bitterly hostile

(1) Not printed.

to us. It has been officially stated that "something in excess of between £35 and £45 million" will be the cost of the operations in Egypt on which we embarked without any clear idea of what the bill would be—and it might presumably have been a great deal higher. In the face of these considerations it is difficult to argue with any conviction that for our four friends collectively we can only spare a mere £250,000 over five years. It is moreover generally supposed that our subsidy to Jordan will soon come unstuck and appetites are not unnaturally whetted accordingly. There are odious comparisons in other directions too. The Russians have been making to Iran offers of financial help for dams, roads and agricultural development with increasing insistence since the Shah's visit to Moscow in June. Nor have they been deterred by recent events, since my Soviet colleague gave the Minister of the Interior one and a half hours on the subject as recently as November 18. The present Iranian Government has no inclination to accept these offers, but if the Russians choose to publicise them it might well have no alternative but to accept them unless it can show that its needs are fully satisfied from other sources.

5. I would accordingly recommend:—

- (a) that a proportion, say £2 million of the Jordan subsidy be, if possible, earmarked for Bagdad Pact use in the financial year 1957–58;
- (b) that an announcement should be made at the meeting which we hope will take place in Karachi in January that this sum is available as a standby to be drawn on if and when required for approved Bagdad Pact projects.

Unless we can do this, I venture to think that there will be no worthwhile asset to offset the liability of having us as an associate of the Pact; and that the Pact itself, at least as a channel of British influence in this part of the world, will have no useful future.

6. Iran will suffer a serious loss of oil revenue as a result of the blockage of the Suez Canal. I realise that this will be small compared to the losses inflicted on Iraq as a result of the sabotage of the I.P.C. pipeline in Syria. Nevertheless, at the present stage of Iran's development, they will be acutely painful. Three ways occur to me in

which we might be able to help to offset the effect of these losses:—

- (i) We should try to influence the British oil companies in all marginal cases—and I realise the commercial pull in the opposite direction to be considerable—to utilise their tanker tonnage via the Cape route to Iranian destinations to the maximum possible extent.
- (ii) If the British Petroleum Company, despite their earlier and very understandable refusal, and despite the losses and inconveniences which they themselves must be suffering as a result of the Suez situation, were prepared as an *ex gratia* gesture to waive the payment of the sum of £2½ million due by way of compensation on January 1, 1957, until such time as the Suez Canal were reopened, I believe that this would be greatly appreciated.
- (iii) I am reliably informed that the National Iranian Oil Company would be only too glad to turn over—for a price—the further exploration and development of the Qum oil field to a foreign oil company acting in the capacity of their agent. If a British company could be persuaded to undertake this task or even show some interest in this possibility it would have a most salutary effect.

7. The Persian Gulf remains the Achilles heel of our relations with Iran. In saying this I refer to a whole complex of problems: the ridiculous Iranian claim to Bahrain, the status of our relationship with the Persian Gulf sheikhdoms, the disputed title to various islands in the Gulf and the definition of the boundaries of the Continental Shelf. I submit most urgently that there is need for new and clear thinking about all these problems if we are to avoid storing up future trouble for ourselves in our relations with this country. I propose, in a later despatch, to suggest points for consideration on some of the political and military aspects of these questions. I will only say now that, as seen from here, our position in the Gulf cannot stay still. Either it will be undermined or it must be reinforced. I believe that what we need to do is to find ways of reinforcing it which will make a contribution to our military assistance to Iran under the Bagdad Pact and only by so doing do we stand any

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chance of reconciling Iran to the political realities of the situation as we see them.

8. In paragraph 10 of my despatch No. 14 of January 18, I urged that a higher priority should be given to our relations with this part of the world. I find it necessary to repeat this now with vehement insistence: a greater spirit of urgency must be imported into all our dealings with this country. This has not been the case even in the recent past, as I can illustrate by one small example. In July 1956, serious floods inflicted great economic damage in various parts of Iran; it was well fully a month before Her Majesty's Government made a contribution of £5,000. Meanwhile, the United States, the Soviet Union, and many neighbouring Powers had offered assistance more speedily and in some cases on a far greater scale, and the absence of any similar offer from the United Kingdom was being widely noted and commented upon. The need to establish a higher priority for this country arises in so many contexts, both foreseeable and unexpected, that I cannot make recommendations that are both comprehensive and specific. At the moment, however, I can point to two matters which are both in crying need of attention and which form the subject of separate correspondence: the reopening of British Council

provincial centres (my letter 17513/21/56 of November 13 to Paul Grey), and the institution of an air service by B.O.A.C. which will provide direct communication between London and Tehran (my telegram No. 945 of November 13).

9. I fully realise the many and pressing calls which in present circumstances are being made upon the attention, the energies, and the pocket of Her Majesty's Government. It is for this reason that I have deliberately limited this despatch to major issues. Because Iran is slightly removed from the centre of present disturbances it may be tempting to write her off for the moment as of minor importance—a fairly reliable acquaintance who can be dealt with later and at leisure. This would, in my judgment, be a gross error. In more ways than one Iran to-day occupies a key position. I believe that we can only overlook her at our peril.

10. I am copying this despatch to Her Majesty's Representatives at Ankara, Bahrain, Bagdad, Karachi, the Political Office with the Middle East Forces, the British Middle East Office at Beirut and Washington.

I have, &c.,

R. B. STEVENS.

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EP 1015/38

No. 30

THE INTERNAL SITUATION IN IRAN

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received November 20)(No. 127. Confidential)
Sir,*Tehran,
November 17, 1956.*

In my telegram No. 876 of the 4th of November about Iranian reactions to the Anglo-French intervention in Egypt, I reported that the situation in Tehran remained calm, with the Government firmly in control, but that there was a strong under-current of popular resentment. I now have the honour to report in detail upon the changes in the Iranian attitude as events unfolded.

2. Sir Anthony Eden's announcement on the 30th of October in the House of Commons of the ultimatum to Egypt and Israel came as a complete surprise and shock. The immediate reactions were very mixed. Among them was a general fear: what will this lead to? And a sense of outrage: what right have the British and French to take the law into their own hands? And something akin to a sense of relief: at last somebody is going to do something and Nasser will get what he deserves. The last-named, though not general, was more widespread than might have been expected; it was heard from numerous members of the Government, officials and army officers who have long lost any illusions about Nasser. The public attitude of the Government was to deplore our forcible intervention.

3. The period during which people were prepared, if we were successful quickly, to give us the benefit of the doubt, did not last long. A number of factors caused Iranian opinion to harden rapidly and solidly against us. First, the Franco-British action was clearly directed against Egypt, not Israel; we bombed Egyptian targets and sank Egyptian warships, but as far as was reported here, took no action against Israeli forces on Egyptian territory; when we intervened, we did so not along the line where the Egyptian and Israeli fronts met but behind the Egyptian front along the line of the canal. This caused many Iranians to conclude that our stated motives, namely the prevention of a spreading war, were hypocritical and that our real intention was the imperialist one of dominating the canal. Consequently the story about Franco-British collusion with Israel was almost universally believed here and no number of denials could extinguish it.

4. Secondly, the mention of bombing had a very ugly sound in Iranian ears. The Iranian Press did not make it clear, and perhaps could not have hoped to make it clear, that our bombing was confined to military targets such as airfields; to the Iranian "bombing" meant the bombing of big cities. Again no amount of corrections issued by the Embassy could erase the false impression. Nor has our case been helped by the repetition here of eye-witness reports, first published in such reliable American papers as the *New York Herald Tribune*, that 2,000 people had been killed in Port Said.

5. Thirdly, our use of the veto to defeat the United States resolution in the Security Council and our defiance of world opinion in the General Assembly shocked Iran. Those who originally supported us realised, though they regretted, the logic of our voting; but Iranians have a special respect for the United Nations, because of the part it played in preventing the USSR from swallowing Azerbaijan after the war, and the great majority of Iranians were antagonised.

6. Fourthly, reports of the condemnation of our intervention by Her Majesty's Opposition had a considerable effect here. Ironically, the fact that their condemnation was permitted and publicised (here it would not have been) and that it appeared in Iranian eyes to have its effect on Her Majesty's Government's policy, was the one thing which counterbalanced in Iranian esteem our loss of reputation in all other ways.

7. As a result of these events, which took place during the five days following the ultimatum, Iranian opinion crystallised to our detriment. On the 3rd of November the Press, hitherto guarded and taking good care to sit on the fence, swung sharply against us. By the 4th of November, the United Kingdom was having a worse Press than at any time since the resumption of diplomatic relations in

December 1953. From the beginning the Anglo-French action had been hailed by the small xenophobic newspapers as clear proof that, despite all our professions here since our return, British imperialism remained unchanged at heart. Their example was quickly followed by the much more important *Kayhan*, which caters for the middle class intellectuals. *Ettela'at*, the daily with the largest circulation and nearest to governmental thinking, stayed on the fence a day or two longer, but as bombing continued and no decisive military action materialised, it joined the general chorus. Newspaper circulations soared to double or treble the normal figures and editors gave way to the temptation to boost them still further by competing in sensational headlines, often obviously from Communist sources. The flames were undoubtedly fanned by the Soviet, Syrian, Egyptian and Saudi Arabian Embassies and there were circumstantial stories of bribes by these Embassies to chosen newspapers. In private, the leading editors remained cautiously friendly, but there was much emotional hostility to us among reporters and sub-editors.

8. There was a lapse of six days between the announcement of our ultimatum on the 30th of October and news of the eventual Franco-British landing at Port Said, which became generally known here late on the 5th of November. It was this delay which was fatal to our position. Not only did it give time for the world-wide anti-British reaction to reinforce the natural resentment of the Iranians, but it raised doubts whether we were capable of swift and effective action—whether, in fact, we still possessed the planning ability, force and decision to rank as a Great Power.

9. The Shah and his régime have by their pro-Western policies during the last two years, particularly the conclusion of the oil agreement and adherence to the Baghdad Pact, become closely identified in Iranian eyes with the West and especially with Britain. It was therefore likely from the outset of the crisis that they would use all the methods of persuasion open to them and the whole apparatus of military government to prevent pro-Egyptian or anti-British feeling reaching a point where it would endanger the régime.

10. This supposition proved correct. There was considerable, but not intense, pressure from the *Shi'a* hierarchy, which the Government was able to control. In Tehran and in other towns groups of the poorer, semi-literate and illiterate people gathered before the mullas and in some cases asked for the declaration of *Jehad* (holy war) against the Israelis and the British and in support of their fellow-Moslem Egyptians. (*Jehad*, incidentally, is an impossible proposition in Iran both from the theoretical and practical point of view.) Reports from United States Consulates at Tabriz, Esfahan, Meshed and Khorramshahr suggest that antagonism towards the British was stronger in those towns, and particularly at Khorramshahr which has a large Arab population, than it was in Tehran where fear of the military Government checked the expression of feeling. In Shiraz, too, emotions were reported to be running high. The Government, however, requested or instructed the mullas not to encourage or allow gatherings of the people in the mosques but rather to canalise popular feeling in the form of telegrams to the Shah. Ayatullah Behbehani sent a telegram asking "what efforts are being made by the Government to assist our Moslem brothers"? In his reply, which was made public, His Imperial Majesty was able to point to the results of the Four-Power Tehran Conference and communiqué and to suggest that the approach made to Her Majesty's Government by the Four Powers on the 5th of November had been effective in influencing the Anglo-French decision to cease fire on the following day. In addition Mr. Entezam, the Deputy Prime Minister, was despatched to Qum, the seat of the leading divine, Ayatullah Burujerdi, to explain the Government policy and to counsel moderation. By these means the Government were successful in checking any outbreak of popular anti-British feeling led by the mullas. But they claim, with some justification, to have been under considerable pressure.

11. Even if there has been a good deal of low-level anti-British feeling, there were virtually no incidents or demonstrations. On the 3rd of November a small pro-Egyptian meeting was held in the University as a result of which two students were expelled immediately by Dr. Eqbal, the Rector, who has always made the point of emphasising that students must not meddle with politics. The following night a dozen students were arrested—on what grounds is not clear—by the military Government. There was talk of closing the bazaar for a day as a token action against the British, but the proposal died when the news of the cease-fire was received. The anti-Western demagogue Ayatullah Kashani distributed some anti-British broadsheets aimed at the semi-literate population, and the small

Zahmatkashan Party, led by Mr. Baqa'i, passed a resolution condemning Anglo-French aggression. Both have been placed under what is, in effect, house arrest. I received two or three crude and abusive anonymous letters. An uninfluential Senator suggested Iran should leave the Baghdad Pact and one mildly anti-British speech was made in the Majles. But otherwise both Houses of Parliament kept very quiet.

12. News of the cease-fire, received on the 6th of November, the stimulus to Iranian *amour propre* resulting from the Shah being able to claim that representations jointly elaborated by himself and the three other Moslem Powers had caused Her Majesty's Government to desist from further military action against Egypt, combined with a great wave of anti-Russian feeling following on the repression of Hungarian nationalism, caused Iranian feelings about Egypt to cool. A few days earlier it had seemed to me, and must have seemed to our many enemies in Iran (here I include the nationalists, the Leftish intellectuals and those who have traditionally belonged to the "Russian camp"), that the moment had now come for a general attack on the British position in Iran. That this attack did not take place was certainly due to the existence of military Government in Tehran, which successfully frustrated the leaders of anti-British opinion from articulating their feelings to the masses. Our opponents were denied a real opportunity to express their views in newspaper articles or at public meetings and generally were afraid of talking too loudly. Even after the cease-fire, editors continued to print sensational headlines, no doubt with an eye on the increase in circulation which these produced. The worst played upon Iranian fears of Soviet intervention in the Middle East, with its attendant risks of war; this could have produced the panic which the Russians wanted. At this point I and my Press Attaché intervened with the authorities, pointing out the danger of allowing this sensationalism to go unchecked. Perhaps partly as a result, Mr. Alam, the Minister of the Interior, and General Bakhtiar, the head of the military Government, spoke to editors and instructed them to omit rumours about Russian intervention, to play down anti-British feeling and to concentrate on Hungary. Possibly as a result, we have secured some space for material critical of USSR and even of Colonel Nasser. But the Press continues to condemn our intervention.

13. The Russian massacre of Hungarians and destruction of Budapest are events which have made a profound impression on the sensitive Iranian mind. Terrified of the Russians, in love with the idea of martyrdom for a national cause and historically conscious of the many Iranian cities besieged and destroyed by a foreign invader, the Iranians have suffered a deep, vicarious pain at the tragic turn of events in Hungary. Their fear and hatred of Russia has doubtless been increased through witnessing the brutal application of Russian force, but Russian prestige has suffered a great setback, the effects of which will certainly be long-lived. It was of interest that when Mr. Behbehani, a Deputy, made a speech in the Majles on foreign affairs his condemnation of the Russian action in Hungary was greeted with cries of "hear, hear", while his criticism of Anglo-French action in Egypt was heard in silence. This speech proved to be most useful in clearing the Majles air of anti-British murmurings, and helped to place events in the Middle East in a better perspective. A good friend of ours, Mr. Arab Shaibani, a Deputy for Shiraz, fortunately, had had a word with Mr. Behbehani beforehand.

14. To sum up, beneath the surface there has been a profound emotional disturbance of Iranian opinion; in so far as it is possible to generalise, this disturbance has crystallised in the form of sympathy with Egypt as a fellow Moslem country and resentment at the Franco-British action. Among officials and the more educated classes there has been sympathy for our aims; but the sympathisers have been antagonised by our methods and disillusioned by our failure to achieve our aims. On the surface, the situation has throughout been calm. This is entirely due to the rigid control and censorship exercised by the Government. Meanwhile, Iranian opinion is outwardly unperturbed but inwardly apprehensive.

15. I am sending copies of this despatch to Her Majesty's Ambassadors in Ankara, Baghdad and Washington, to the United Kingdom High Commissioner in Karachi and to the Political Representative with the Middle East Forces.

I have, &c.

R. B. STEVENS.

EP 1052/1

No. 31

UNITED STATES ATTITUDE TO BRITISH INTERESTS IN IRAN

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received December 11)

(No. 139. Secret/Guard) Tehran,
Sir, December 7, 1956.

I observe that there is a good deal of loose talk in Britain just now about our eviction from the Middle East under United States pressure—a process which is supposed to have begun at Abadan. At the risk of recapitulating the obvious, it may be useful to examine these charges, in so far as they apply to Iran.

2. I am not sufficiently well versed in the background of the events of 1951 to know how much truth there may be in the accusation that the dispute between the Iranian Government and the Anglo-Iranian Oil Company was contrived by the United States. It is I know commonly believed that the nationalisation of the Iranian oil industry was stimulated and encouraged by Americans in the service of the Iranians who were not in any sense officials of the United States Government (notably Mr. Thornberg). What seems to me clear from a study of official and other documents relating to this period is:—

- (a) The nationalistic tendencies developing within Iran, confronted by the massive presence and rather unimaginative policy of A.I.O.C., were quite enough of themselves to produce an explosion, without adventitious aid.
- (b) There is no evidence that the United States Government gave any official encouragement to the Iranians up to the time that Musaddiq came to power.
- (c) United States efforts to mediate during the second half of 1951, though frequently inept and not to our liking, had as their object not to get us out—that had already been largely accomplished—but to try to keep Iran, for all its manifestations of nationalism, within the Western orbit.
- (d) The events of 1953, leading to the resumption of relations between the United Kingdom and Iran and eventually to the oil agreement were the fruit of long and patient United

States diplomatic and planning activity for which we have every reason to be deeply grateful.

If this analysis is in any way incorrect, I must plead ignorance — and ask for enlightenment.

3. My real object in this despatch is however not to analyse the causes of what is popularly known as "Abadan," but to examine its consequences in terms of Anglo-American-Iranian relations. In the one Middle Eastern country from which, before November 1956, we *had* been evicted, what has happened since we came back?

4. I can testify from personal knowledge that, first and foremost, the path of our return was greatly smoothed by the Americans here, and above all by Mr. Loy Henderson. We received unstinted help and impartial advice from American civilians at all levels. In the oil negotiations, except for occasional interventions by Mr. Herbert Hoover which were often as embarrassing to his own team as to the rest of us, we worked harmoniously and confidently together. The Iranians though always polite, were at first reserved and suspicious. The Americans helped markedly to break this down. They assisted our efforts to make it known that we intended to establish our relations with Iran on a new basis, appropriate to relations between independent Powers with common interests; that we did not seek a dominant position in the political or economic life of the country; that we had no "imperialistic" designs; that we were determined not to intervene in Iranian domestic affairs or pull strings behind the scenes; that we wanted to deal directly and frankly with the officially-constituted Iranian authorities, and were resolved to dispense with, and if need be to discredit, the host of intermediaries and intriguers who swarmed about Tehran and gave the impression, rightly or wrongly, that they were "friends of the British." On this new basis, and with consistent help from the Americans (who pursue the same policy) we have I think succeeded in establishing a fair degree of confidence, at least among the governing

classes, in our honest intentions and good faith. Some, though not I fear all, of this will survive the events of the last month.

5. It would not I believe be vainglorious to claim that in psychological and political terms we are on firmer ground here now than in the past. Old suspicions, inevitably, remain. We are still regarded in many quarters as the power behind the throne. All this will take time, patience and tact to dissipate. But the best proof of progress is perhaps our satisfactory association with Iran in the Bagdad Pact. It is hard to imagine that this could have come about if the Iranian nationalist virus had not (for the moment at least) worked itself out of the system—in other words if there had been no "Abadan," with (perhaps equally important) the long period of isolation and economic and administrative run-down which followed it.

6. In practical terms, we have not done too badly, either. Our investment in Iranian oil may be reduced from 100 per cent. to something under 50 per cent., but it is on a healthier foundation, and the prospects of increased production—and revenue—with full Iranian co-operation are much more favourable than they were before the break. The "consideration" (from the other oil companies) and "compensation" (from the Iranians) obtained by the Anglo-Iranian Oil (now British Petroleum) Company cannot be regarded as unsatisfactory from a financial point of view. As a result of being seen in juxtaposition with American, Dutch and others, the British element in the management of the oil industry, instead of being a butt for nationalistic attack, are regarded by their Iranian associates, at worst as the devil they know, and at best as old and experienced friends. British companies, in common with others, have been given the opportunity of acquiring exclusively new exploitation rights on an agency basis, though admittedly so far on terms so stiff that they have not seen fit to conclude an agreement.

7. In the field of economic development, we have received our fair share of new contracts and consultancy agreements. The trials that have beset British firms in connection with such contracts have been no greater than those experienced by firms of other nationalities. We certainly cannot complain that there has been any discrimination against us on account of the past; equally certainly, for reasons of

price rather than of politics, we have done substantially better than the Americans. In trade with Iran we have largely recovered our pre-Abadan position, despite greatly increased German competition, and there is plenty of evidence of Iranian willingness to buy even more extensively from us, commercial conditions permitting. These results have been achieved without any abnormal activity on the part of Her Majesty's Government, save for the provision of a £10 million line of credit in early 1955. Meanwhile, the Americans have been making grants to the Iranian economy of some \$50 million per year which has helped to maintain stability and purchasing power. Through their Point IV organisation, the largest of its kind in the world, they have helped to improve agricultural, industrial, administrative and other techniques, thereby making Iran a better trading partner primarily for themselves—Point IV purchases have been made increasingly and are now almost exclusively from the United States—but also for the rest of the world. Somewhat similar work is being performed by the United Nations Technical Assistance Board to which we contribute but from which we also benefit.

8. As regards military aid and training the attitude of the American armed forces is unquestionably more possessive than that of the civilians, and moreover the Americans have the military field almost entirely to themselves. But this is the result of the Irano-American Military Agreement of October 1947, and has nothing to do with "Abadan." Their programme was indeed suspended for political reasons during the last year of the Musaddiq régime to the general prejudice of Western defence interests. American supremacy in this field is due to two causes. Firstly they were in a better position to fill the vacuum than we, with our preoccupations and commitments in other parts of the Middle East. Secondly they were financially in a position to implement their plans to some extent—though not to the extent the Iranians—or we, for that matter—would like. It is difficult to imagine that, had the United States Government not done something towards filling this vacuum, we should have had either the ability, or—given the oil dispute—the will, to do so. Having taken on the responsibility for providing military assistance to Iran, the Americans have no disposition to share it with us or others. This is particularly noticeable in the case of the Iranian navy, where we still have a

foothold. But the Americans control the defence budget, and therefore have the whip hand; and there are signs that they would not be sorry to see us dislodged. This, I believe, reflects the "forward" policy of the Pentagon in the Persian Gulf (on which I am reporting separately), rather than that of the State Department towards our position in Iran.

9. It is true that there are certain fields—Consular representation, education and civil aviation are examples which at once spring to mind—in which the British position before 1951 has not been fully restored. But the reason for this is to be sought, not in United States rivalry or Iranian reluctance, but in our own policy, or financial exigencies.

10. It would be absurd not to recognise that the United States—despite her coyness in regard to the Bagdad Pact—is Iran's predominant Western partner. This was true in the late '40s, it was true before our intervention in Egypt, and it is likely to be even truer henceforth. But I do not think we have a grievance, or anything to be ashamed of. It is the result partly of America's policy of anti-colonialism, partly of our own allegedly tainted past in this country; but primarily of America's superior resources. There is no real evidence that the United States has used its influence consistently against us, or that it has taken undue advantage of its position. On the contrary, the Americans realise, not least as a result of our own experiences, that it does not pay to occupy too dominant a position in this spasmodically xenophobic country, and they are therefore quite glad to have us around. This however is not to say that they would willingly or gracefully yield their priority to us in any sphere—as we have had occasion to discover from time to time in the course of commercial competition, the only field in which we have distinct advantages over them. The Iranians, for their part, like to maintain a reasonable balance between us.

11. I would not wish to suggest that Iran is a typical Middle Eastern country, or that our experiences here are likely to be paralleled elsewhere—least of all in Egypt. Mussadiq had no imperialist designs on his neighbours, no international asset to hold up to ransom; Iran is aloof on Palestine, but acutely aware of the Soviet danger. It may nevertheless be desirable to state certain conclusions, for what they are worth, drawn from events of the last six years here:—

- (i) "Abadan," however painful, has enabled us to stage a comeback on a better foundation—better probably than if the "eviction" had been less complete.
- (ii) The Americans had little to do with our eviction; they welcomed and facilitated our return and rehabilitation.
- (iii) Their predominant position in Iran is due primarily to their greater wealth and power in the world, not to local pressure or local rivalries.
- (iv) We have recovered our position here because we have been enabled to make a fresh start, because there are now no serious Anglo-Iranian differences, because of the need to stand together in the face of the Soviet danger, and because the force of Iranian nationalism is for the moment spent.
- (v) It is spent because it had to work itself out the hard way over a two-year period, at the end of which the myth of nationalistic self sufficiency was exploded, and economic disaster stared the country in the face.

12. I am copying this despatch to Her Majesty's Representatives at Amman, Ankara, Beirut, Bagdad, Karachi, Washington and to the Political Office with the Middle East Forces.

I have, &c.

R. B. STEVENS.

APPENDIX

BIOGRAPHICAL NOTES

EP 1902/3

No. 32

IRAN : HEADS OF FOREIGN MISSIONS

Sir Roger Stevens to Mr. Selwyn Lloyd. (Received July 6)

(No. 76. Confidential) *Tehran,*
Sir, *July 1, 1956.*

With reference to my despatch No. 84 of the 8th of November, 1954, I have the honour to transmit herewith my report on Heads of Missions in Tehran for 1956. The report for 1955 was prepared in this Embassy, but, following correspondence with the Eastern Department of the Foreign Office, was not despatched to you or printed.

I have, &c.

ROGER STEVENS.

Enclosure

Iran : Heads of Foreign Missions

(Passages marked with an asterisk are reproduced from previous reports)

Afghanistan

Ambassador: General Muhammad Omar Khan (May 2, 1955).

Born 1898. Headed Afghan Military Mission to the Soviet Union in October 1926. At one time Military Attaché in Berlin. Chief of Afghan General Staff, 1930. Representative to the League of Nations Disarmament Committee, 1935. Principal Private Secretary to the King, 1946. Minister of Defence, 1948. Ambassador to Paris, 1949-55.

He is reported to distrust the Soviet Union and to be pro-Western. He is certainly Westernised and, I suspect, an unusual Afghan. A pleasant, agreeable and able colleague. His position here is not easy owing to the Iranian-Afghan dispute over the Helmand River waters, but he has shown skill in dealing with the local press and with criticism of various aspects of Afghan policy.

Argentina

Minister: Felix Nestor Torres Gigena (designate).

Austria

Minister: Erich Bielka-Karltru (June 23, 1952).

*A career official who has recently served in the Ministry at Vienna and was previously at Cairo. Friendly, and apparently well disposed. He speaks fair English and excellent French. Normally resident at Ankara. (Written in 1952.)

Visits Tehran from time to time. Makes a favourable impression.

Mr. Eugen F. Buresch now resides in Tehran as Counsellor and Chargé d'Affaires, having arrived at the end of 1955. He is married to a daughter of Allan Dulles (head of the United States Central 18831-24 50192

Intelligence Agency) and niece of John Foster Dulles. They are a pleasant couple, she being perhaps the more effective of the two. He came here from New York.

Belgium

Minister: Paul Bihin (March 16, 1956).

Born 1911. Doctor of Law at Brussels University. Followed the legal profession. During the war he worked for the Belgian Government in London as a member of the Prime Minister's office. In 1948 he joined the diplomatic service as Counsellor. Served as Belgian representative on the United Nations Commission for Indonesia, then at the Ministry of Foreign Affairs, and, 1954-55, on the permanent Belgian Delegation to the United Nations in New York. He is a bachelor. He is extremely shy but energetic, agreeable and with an enquiring mind. He travels extensively, by jeep.

Brazil

Minister: Antonio Mendes Vianna (April 26, 1954).

*Born 1908. Educated at the Law Faculty in Rio de Janeiro. A career member of the Brazilian Foreign Service since 1948, his last post having been Consul-General at Antwerp. Was Brazilian delegate on the United Nations Commission of Enquiry on the Balkans in 1947. (Written in 1954.)

Although he resembles a grossly inflated toad, he is not without charm, and has cultivated tastes. He speaks excellent French. (Written in 1955.) His wife is usually absent. In her absence there is ample consolation, including an imported Swiss mistress who is often to be seen with him at parties.

He knows his way around, but has a malicious tongue; and is cordially disliked by some of his colleagues.

Chile

Minister: Dr. Samuel Avendano.

*Resident in Ankara. I have not met him, and believe he has not yet presented his credentials here. (Written in 1954.)

China (Nationalist)

Chargé d'Affaires, a.i.: Yee Dien Tsai, First Secretary (June 3, 1953).

We have no official relations with this mission and I have never met him.

Czechoslovakia

Minister: Dr. Joseph Zahora (January 14, 1953).

*Middle-aged and rather benign. More polished and more easy to talk to than the other Iron Curtain representatives here. Believed to be a former University lecturer. Speaks French. (Written in 1954.)

Denmark

Minister: Axel Kaspar Frederick Sporon-Fiedler (October 14, 1947).

*Before coming to Persia he was for many years Consul-General in San Francisco and had obviously taken root there. He is meticulously formal and precise, except when drink takes him, but hospitable and kindly. Mme. Sporon-Fiedler, though vague, is agreeable. (Written in 1951.) Both speak good English and are extremely friendly. (Written in 1954.)

Egypt

Ambassador: Mahmoud Yousri El-Karamani (April 21, 1956).

Formerly Counsellor in Beirut where Sir A. Chapman Andrews found him friendly and reliable. Both he and his handsome wife speak very good English.

A career diplomatist who at times finds the modern masters of Egypt difficult to serve.

Ethiopia

Minister: Ras. Imru Haile Selassie (January 4, 1956).

Resident in New Delhi.

Finland

Minister: Bruno Rafael Kivikoski (November 10, 1954).

Resident in Ankara.

France

Ambassador: Jacques-Emile Paris (April 18, 1955).

M. Paris, who is about 50, entered the French Foreign Service in 1929 and served before the war in Brussels, Rio de Janeiro, Madrid and Oslo. He spent most of the war in London as a member of the French Liberation Committee's delegation attached to the exiled European Governments. After the war he was Chargé d'Affaires in Oslo for a short time and then Minister in Sofia. From 1950 to 1955 he was Minister in Damascus.

I understand that in Damascus he proved a singularly uncommunicative colleague (possibly owing to traditional French suspicions of our intentions in Syria) but he has been more disposed to co-operate with us here.

An excessively shy man with a pleasant but diffident manner; is fond of open-air pursuits. His Belgian-born wife is somewhat brusque and offhand; her French accent is excruciating. Both speak quite good English and they entertain well in an informal way. Since the recent change of French policy towards the Bagdad Pact, the French Embassy has been rather more forthcoming. But they still tend to lean rather heavily on the traditions of French culture here.

Germany (Federal Republic)

Ambassador: Dr. Lutz Gielhammer (June 20, 1955), formerly Minister (October 1, 1953).

*More of a bank official than a diplomat and consequently seems always a little lost. Worked for a number of years before the war in Persia with the Bank Melli. (Kermanshah 1929-34; then Tabriz and Tehran, returning to Germany in 1938.)

Speaks Persian and fair English and is a student of Persian history. Is said to have a good anti-Nazi record. His wife is a typical German *hausfrau*. (Written in 1954.)

He has a pleasant personality and knows a great deal about this country. His standing with the Iranians is high and I think that the remark above about his being "a little lost" should be revised to read "more interested in the realities of his work here than in its social manifestations."

Greece

Minister: Jean Callergis (November 10, 1954). Resident in Ankara.

Holy See

Internuncio: Mr. Joseph Paupini (April 30, 1956). A common, dull priest.

Hungary

Minister: Istvan Murai (December 22, 1951).

*Believed to have been a carpenter and one-time Mayor of Budapest. Served in Paris (where he was also Chargé d'Affaires to the Spanish Republican Government) and Rome. He is not much seen and is said to be responsible for much covert work for the Soviet. Speaks some French in a high squeaky voice. His wife is a grim woman. (Written in 1952.)

Iceland

Minister: Dr. Helgi Palson Briem (September 29, 1951).

*Also Minister to Sweden, Finland and the Soviet Union. Does not appear in Tehran. (Written in 1951.)

I knew Dr. Briem, whose parish is remarkably wide, in Stockholm. He is pleasant enough, with an English wife. He has not appeared here since my arrival. (Written in 1954.)

Indonesia

Minister: Mahmud L. Latjuba (May 23, 1953).

*A tight-lipped little man who seems reluctant to converse though his English is reasonably good. I fancy he is full of nationalistic and anti-colonial traits, and he is still a Deputy in the Indonesian Parliament. His wife looks rather pleasanter. (Written in 1954.)

Iraq

Chargé d'affaires, *a.i.*: Sami El Sakkar, Third Secretary.

A minor civil servant who has only served to underline the much deplored absence of an Iraqi Ambassador at this of all times.

Italy

Ambassador: Renato Giardini (designate).

Minister at Budapest since early 1954. Served in Tehran 1936-37. Her Majesty's Minister, Budapest, reports that he and his wife were popular and friendly. He is said to be a dull dog, considerably older than her.

Japan

Ambassador: Hisanari Yamada (April 18, 1955).

Born 1907. Graduated from Tokyo Imperial University in 1928 and joined the Ministry of Foreign Affairs. Early in his career he served in London and Peking and thereafter was employed continuously in Japan until his appointment to Tehran. His last post (1952-55) was chief of the Foreign Affairs Office of the Tokyo Metropolitan Government. His comparative obscurity is attributed to his unpopularity with Mr. Yoshida and his present appointment to his close association with the Democrats.

Mr. Yamada is married, with three sons. He speaks fair English. In Tokyo he had the reputation of being hearty at all times and boisterous under the influence of alcohol, but I have not seen enough of him to know whether this trait persists. He is ostentatiously Anglophile. His wife is charming.

Jordan

Ambassador: Ihsan Essaid (October 6, 1954).

*Until recently Counsellor and Chargé d'Affaires at

Ankara. At one time an official in the Palestine Administration, and served as assistant to the Resident Adviser to the Government of Aden. 1939-40.

He is friendly and agreeable though not perhaps of the highest calibre. Has strong views on the Arab/Israel dispute, perhaps because he is a native of Palestine and lost his property there.

His attractive wife was formerly lady-in-waiting to the Queen Mother of Jordan. (Written in 1954.) His eldest son is studying law at Cambridge.

Lebanon

Minister: Abdul Rahman Adra (January 4, 1956).

Lately Minister in Karachi. A Sunni Moslem of a leading family of Tripoli. His brother is reported to be a well-known intriguer, fanatical on religious matters.

He is a jittery little man with a pleasant wife. They both speak English and French. Their daughter goes to the Embassy School.

Netherlands

Minister: Baron W. J. O. Gevers (March 16, 1954).

*A career diplomat who has served for some years in London (latterly as Minister/Counsellor) and speaks excellent English. Urbane, agreeable, friendly and very pro-British. I have seen a lot of Baron Gevers during the oil negotiations and found him pleasant and sensible to work with. He may not be brilliant, but conceals a good deal of ability under an easy-going manner. (Written in 1954.)

Norway

Minister: Ivar Lunde (designate). Resident in Ankara.

Poland

Chargé d'Affaires: Kazimiera Smiganowski (July 22, 1947).

*A satellite, friendly in manner, who has recently married his secretary. (Written in January 1951.)

Roumania

Minister: Traian Micou (August 18, 1952).

*An unimpressive and small man who is less inclined than his Czech and Polish colleagues to mix with Western diplomats. (Written in 1954.)

Saudi Arabia

Ambassador: Hamzeh Gows (September 17, 1955), formerly Minister (May 26, 1948).

*I only know that he is amiable and picturesque, but he talks no European language. His Arab dress adds to the colour of Tehran receptions. (Written in January 1951.)

Has acquired a young Persian wife and child who are sometimes seen in public. (Written in 1954.)

Soviet Union

Ambassador: Anatoli Iosiphovitch Lavrentiev (August 1, 1953).

*He was Ambassador in Belgrade at the time of Tito's break with Stalin. He arrived here at a time when Soviet hopes must have been high. However, within a few days Musaddeq had been overthrown and Lavrentiev himself was the subject of wild rumours. Some said he had been shot, others that he had had a stroke or a heart-attack. He looks fit enough now, but the signature of the oil agreement and the current drive against the Tudeh Party must be giving him cause for concern.

He cultivates an air of brusque *bonhomie*, but the *bonhomie* has been wearing thin of late. He has the reputation of being stupid, but I think it

safer to assume that he is shrewd and dangerous, but a bit worried about his standing in Moscow. Speaks some French. Has a wife who is more of a mixer than most Soviet wives. (Written in 1954.)

Given his long career of failure, it is astonishing that Lavrentiev is still around. He looks more and more worried.

Spain

Minister: Tomas Maycas y de Meer (December 7, 1955).

Aged 65. Has served in Paris, Stockholm, Budapest, The Hague and Melbourne. Latterly Counsellor at Amman.

He looks ill and has a reputation for addiction to drink. Speaks French and fair English. Has an unattractive Roumanian-born wife who speaks fluent French and English. A rather pathetic couple, and no credit to their Government.

Sweden

Minister: Ragnvald Richardson Bagge (February 18, 1953).

*A pleasant, well-informed, friendly, but very talkative colleague with an attractive Finnish wife. Was in charge of the Press Section of the Swedish Ministry of Foreign Affairs during the war. Has previously served as Minister in South America and Minister/Counsellor in Washington. He and his wife talk excellent English. He was born in Canada, where his father was Swedish Representative at the time. While not in the highest flight of Swedish diplomats he is a very satisfactory colleague. (Written in 1954.)

My regard for his good sense and complete integrity has increased in these two years.

Switzerland

Minister: Dr. Roy Ganz (November 30, 1954).

A German-Jewish Swiss, born in Chicago, with a pleasant French-born wife (his second). Originally a lawyer by profession. Was Minister in Helsinki before coming here and before that in Warsaw.

He is quite intelligent and knowledgeable and is an amusing companion. He has a malicious relish for political gossip, but is lacking in political sense. He had the reputation before coming here of Left-wing views, and has encouraged this impression by taking a holiday last summer in the Caucasus and the Crimea and reporting enthusiastically on everything he saw. But he is not so much pro-Communist as ostentatiously unattached and personally irresponsible. Financially not over-particular.

Syria

Minister: Mr. Assad Mohaffel (June 20, 1955).

Born 1907. A Sunni Moslem from Aleppo. Studied in France where he obtained degrees in law and literature. Joined the Foreign Service in 1946 serving in Cairo and London. Appointed Secretary-General at the Presidency in 1952 and dismissed when Shishakli fell in 1954. Reinstated in 1955 and appointed to Tehran.

He is a poet, knowledgeable about Arab history and culture. Married with a daughter in her teens.

Turkey

Ambassador: General Izzet Aksalur (August 6, 1955).

Born 1894. Joined Army and served in Dardanelles and Palestine and on the Russian front, 1949—Vice-Chief of the General Staff. 1950—Secretary-General of the Supreme Defence Council, 1952-55 Ambassador to Tokyo.

According to Her Majesty's Embassy at Ankara he was considered to be one of the ablest Turkish commanders in his day. He is friendly but it is

difficult to get very far with him as his French and English are both limited and he makes things worse by mixing them up. He describes the part he played in bringing Iran into the Bagdad Pact with a pride which shines even through his linguistic obscurities. This in fact is the only subject on which I have found it possible to converse with him.

His wife, a Turkish blonde, speaks reasonable French.

United States

Ambassador: Selden Chapin (July 19, 1955).

Born 1899. Served in the United States Navy from 1919 to 1925 when he entered Foreign Service serving at Hankow, Peking, Rome, Quito and Port-au-Prince. In 1936 became Assistant Chief of Division of American Republics in State Department. During the war acted as Liaison Officer on various defence commissions and as Counsellor to the United States Missions in Algiers and Paris. In 1945 he became Director-General of the Foreign Service and then successively Ambassador to Hungary, the Netherlands and Panama.

He was a second choice for Tehran, Mr. Julius Holmes' nomination having been withdrawn because of threatened Senate objections.

He is a solid and experienced career officer with plenty of character and good sense, and well disposed to us. He was unlucky to succeed an

Ambassador (Mr. Loy Henderson) who had established an exceptionally high reputation, and at a time when United States aid to Iran was beginning to taper off. These handicaps, combined with a somewhat craggy exterior and a certain lack of social grace, did not help him with the Iranians at first, but I think he has established himself by now. I have always found him a most satisfactory colleague in every way.

He has a very nice wife, something of a character, with a good sense of humour, a perpetual flow of conversation and a constant chuckle. She is a sister of Admiral Kirk.

Venezuela

Chargé d'Affaires, *ad interim*: Bernardo Flores, Commercial Counsellor (January 18, 1956).

Resides at Beirut.

Yugoslavia

Minister: Ante Rukavina (February 1, 1954).

*Formerly Counsellor in Stockholm. Looks extremely dense and tough but is pleasant, friendly and quite sensible. Speaks fair French. His wife is a bouncing peasant girl. (Written in 1954.)

Spends most of his time on shooting expeditions. I believe he had a good partisan record during the war. Betrays no fondness for the society of Iron Curtain colleagues.

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